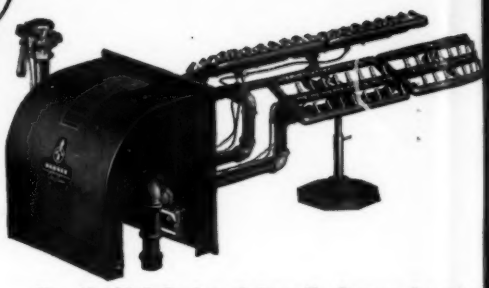
Public Utilities

FORTNIGHTLY

Volume XLVII No. 4 February 15, 1951

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

Above, Barber 324-B Automatic Conversion Burner. Tested and certified by AGA Laboratory under latest listing requirements.



No. 49-113-B Barber Automatic Burner Assembly

BARBER Gas Conversion BURNERS

Have All These Advantages:

- **Exclusive patented Barber Impinged Jets, with air-injected vacuum premixture, to get the highest combustion efficiency possible.**
- **High temperature "scrubbing" flame applied directly to walls of fire-box —no spreaders, no refractories.**
- **A sufficient range of sizes, in both round and oblong models, to fit properly the requirements of *all* furnaces and boilers (we do not make the incredible claim that *one* size and *shape* burner will operate efficiently in *all* furnaces and boilers).**
- **The correct design, with the right jets, to operate on *any* type of gas fuel.**
- **The finest automatic controls obtainable.**
- **A reputable manufacturer, with a record of over 30 years' responsibility, to stand behind its products, and with capable Barber installation service available nearly everywhere.**

With such a widely preferred and plainly superior product offered to you, why take chances with little known and possibly inferior burner units? No other burner burns like a Barber. Buy Barber and you buy the best.

We also design, develop, test, and manufacture innumerable types and sizes of burner units for all sorts of gas appliances, for industrial, commercial, and household use. We supply hundreds of appliance makers with these standard or special burners, for all kinds of gas. The inclusion of a Barber unit in any such appliance is an unmistakable symbol of QUALITY. Write for our complete Catalog.

THE BARBER GAS BURNER CO., 3704 Superior Avenue, Cleveland 14, Ohio

BARBER BURNERS

For Warm Air Furnaces, Steam and Hot Water Boilers and Other Appliances

Public Utilities FORTNIGHTLY

VOLUME XLVII FEBRUARY 15, 1951 NUMBER 4

ARTICLES

FEATURE SECTIONS

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

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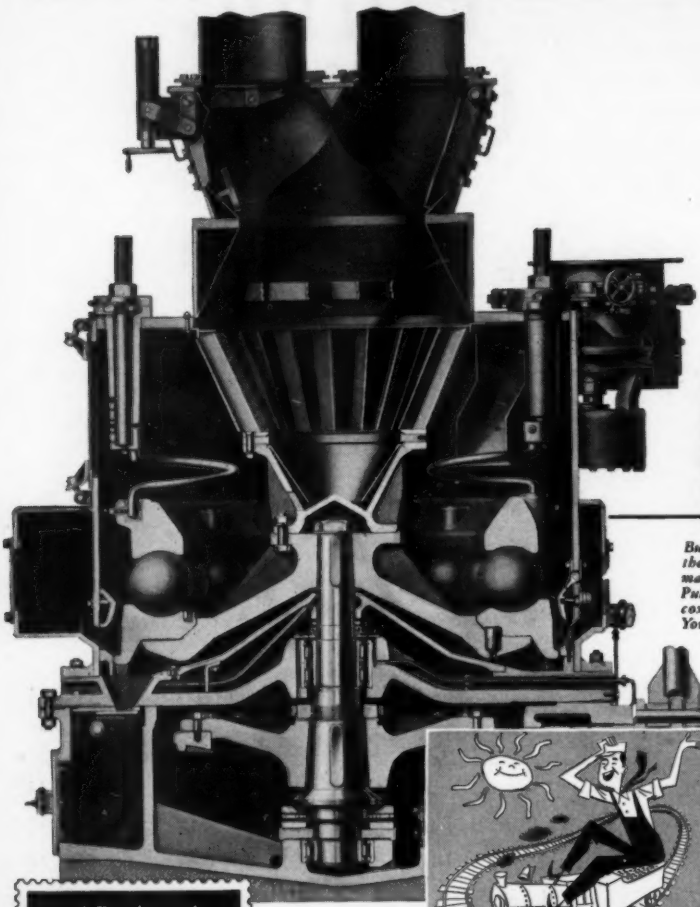


Bulletin G-57 illustrates and descr the design, construction, operating, maintenance features of the Type Pulverizer. Write: The Babcock & W cox Company, 85 Liberty Street, N York 6, New York.

A Product of B&W Engineering for Economy

Recirculating Load—Dries as It Grinds

Recirculation of fines within the mill gives repeated, quick-drying contact with large masses of heated air and metal . . . produces proper fineness at all loads, even with coal as wet as it can get. Fines are classified in the mill.

Uniform Performance Regardless Of Wear

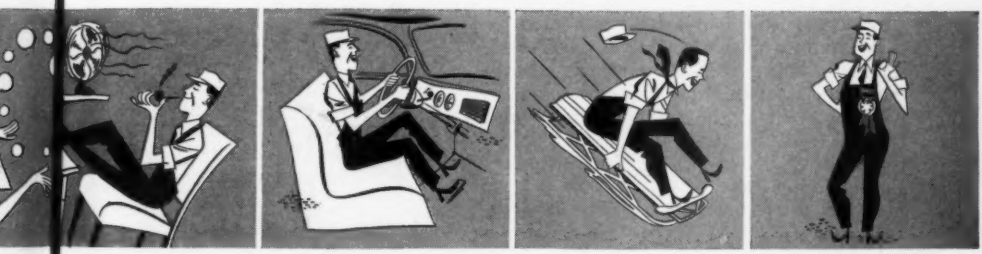
Balls and grinding rings together . . . assure uniform ness regardless of attrition grinding elements . . . automatically increases duced loads.

A big asset in *low-cost* power generation

The only accurate measure of pulverizer efficiency—*and ultimate cost*—is a function of availability, plus combined materials and labor maintenance per ton of product over long periods of continuous operation. B&W recently surveyed a representative group of utilities, covering a wide geographical area and broad range of coals. More than 100 B&W Type E mills were reported in service from one to ten years, and with aggregate product of 25 million tons:

- Average Availability: 96.5%
- Average total maintenance cost per ton: 3.12 cents

It will pay you to remember this outstanding—and typical—history of dependable, low-cost performance when considering your next pulverizer installation.



ws Clean Air—
ves Wear and Tear

ique in pressurized operation, Type E Pulverizer requires arkably little maintenance of primary fan, because it blows clean air . . . is not subject the damaging abrasion of enined particles.

One-Point Variable Fuel —Air Control

Like the accelerator on your automobile . . . assures proper coal-to-air mixture . . . produces desired rate of steam generation over a wide range with coal conditions suitable for sustained high combustion efficiency.

Low Power Consumption

Ball-and-ring grinding, antifriction bearings, pressure lubrication, and automatic rejection of ungrindable materials make possible high output with minimum power demand.

Outstanding Performance Record

Availability and maintenance economy beyond today's most exacting requirements are proved in over 1300 Type E Pulverizer installations.

Helping Industry Cut Steam Costs Since 1867

BABCOCK & WILCOX

G-5191

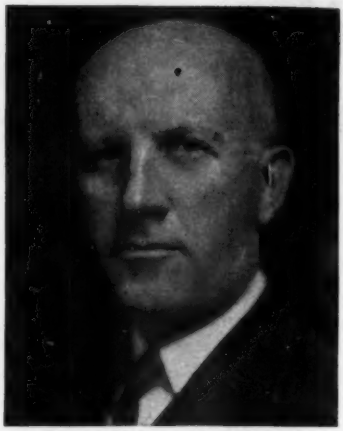
Pages with the Editors

THERE probably never was a movement or trend towards state Socialism which did not have as its main selling point increased benefits, for the laboring man, by way of security and working conditions. Marx based his appeal entirely on the absolute right of the workers to all economic benefits of production. But one could go back much farther in the long and spotty history of Socialism and find that, invariably, it has been sold to the workingman on the basis of helping him and his family to a better way of life.

THE insidious part about this spurious appeal is the cruel hoax played on these very persons who are supposed to reap the most benefit. They and their liberties suffer the most, in the end result, from the cruelties of an absolute dictatorship which floats into power under the high-sounding label of Socialism. One can call the rôle of absolute dictators within our own memory—Mussolini, Hitler, Stalin, and a pint-sized imitator down in South America—and we invariably find them climbing into absolute control over the backs of a betrayed labor movement. It is trite to ask, in this day and age, about what happens to the right to strike or bargain collectively or other labor union rights in these countries. Such rights simply do not exist.

PARADOXICALLY, only in free enterprise countries such as our own can the labor unions stand up squarely on their own feet and bargain with any degree of independence, dignity, or respect. It should not take much thinking for even the casual observer to decide that there is some connection between a free enterprise economy and a free labor movement. Enslavement of the one inevitably leads sooner or later to enslavement of the other.

BUT it is the intermediate or transitional period which is so often baffling and misleading to honest, sincere, and conscientious labor leaders. Socialism, as in the case of Great Britain, may even start off under the wing of the Labor party itself. Labor leaders, who were brought up in the tradition of fighting employers for every concession and inviting government interference for added pressure on employers, are tempted to pass a good many red lights before drawing up short in front of the clear danger signal pointing towards government domination of the labor movement to the point of enslavement.



C. E. WRIGHT

IT is so easy in the beginning of the process to point to the security and stability of government employees: the Post Office, the school teachers, the alleged safeguards of civil service, the softness of politicians towards the voting strength of labor. The fact that such politicians generally "give in" to labor demands is pictured as an inducement to go farther and farther down the path to the point of absolute state Socialism.

YES, the intermediate and transitional period seems pleasant enough as long as there still survives a substantial tax-paying capitalistic beast of burden to pull the load. But when the poor old critter final-

ly falls in the traces and the government takes over as the sole employer and the sole arbiter of everybody's economic as well as political rights, then, at long last, the scales may fall from the eyes of the labor leader. Then it is too late. The chain has been forged; the lock has been snapped. Labor's "pushover" government of yesterday suddenly demands a "pushover" labor movement today and hereafter. The workers who rebel at this point realize the bitter irony of Marx's appeal for the workers of the world to unite and cast off the shackles of Capitalism. One wonders how many there are, pushing snowballs around in Siberia today, who would welcome the opportunity for casting off some real chains.

IF the foregoing seems somewhat more editorially opinionated than passages usually found in this department, it is by way of appreciation and introduction for the opening article in this issue. The title of this is "Labor Unions Look at Public Ownership." It is an analysis of the timely awakening of a number of labor union leaders in the United States—leaders who have organized and hold responsible positions in national unions having jurisdiction over public utility employees.

BUT already their eyes have become accustomed to the glare of government promises and the tinsel of government performances. They are beginning to perceive the iron hand beneath the glove. They are beginning to reflect on such simple propositions as what will become of unions and union leaders in socialized industries, even here in the United States.

LARSTON D. FARRAR, Washington author of business articles, has carefully examined the record of the important evolution of certain utility unions from old-fashioned boss baiters to modern industrial statesmen—thinking ahead for the long-range benefit and security of their members. It is a thoughtful review of an important phenomena in the political economy of our country. If these unions, through able leadership, succeed in reversing current trends and turning the tide in favor of continued enterprise in the utility industries in the United States, they will be doing something which no labor union movement has ever done in any other country in modern times. And in doing so they will insure their own existence to the point of doing business at the same stand when a good many of their colleagues abroad are goose stepping to the command of some hypocritically named "Minister of Labor."

* * * *

WE also present, beginning page 210, the second instalment of a 2-part series dealing with the desirability of the zone transit fare system. The author, GRAEME REID, well-known transit engineer with the New York city firm of Ford, Bacon & Davis, Inc., shows why modern equitable transit fares ought to reflect the length of the ride and the cost of the service rendered.

* * * *

WE present in this issue, beginning page 218, an article dealing with the steps taken in Florida to cope with the threat of wartime destruction to community life and utility service. The author, C. E. WRIGHT, was for five years managing editor of the well-known trade journal, *The Iron Age*. He is now doing free-lance writing in Jacksonville, Florida. He has studied the pattern of current developments in that state which will probably proceed parallel to progress in other regions.

* * * *

ALSO in this issue, DR. J. RHOADS FOSTER and DR. BERNARD S. RODEY, JR., two well-known accounting authorities, whose biographical backgrounds were recently covered in connection with a series of articles appearing in the FORTNIGHTLY last fall, give us something (beginning page 224) which some readers must think is impossible—a fresh approach to the subject of depreciation.

THE next number of this magazine will be out March 1st.

The Editors

Courtesy Bettmann Archives

Done in ½ the time . . . and at ½ the cost

THIS girl undoubtedly was one of the first "hunt and peck" typists.

She had to look around this circular keyboard for each letter, and then when the letter was in position, she'd tap it.

Modern office machines certainly have made strides since those early days. Consider especially the electrical devices that now do routine figure work in a fraction of the time it formerly took.

This Bill Frequency Analyzer, for example, does a remarkable job for public utilities. It gives utilities an accurate picture of their consumers' usage data in a few days' time.

It analyzes as many as 200,000 bills a day. It does the job in ½ the time it would take a competent office force. The final cost to the utility, too, is halved.

Wouldn't you like to know more about this Recording and Statistical Corporation service?

Send for FREE booklet

"The One-Step Method of Bill Analysis" will give you all further details. Why not ask your secretary to write for it today.

Recording and Statistical Corporation

100 Sixth Avenue, New York 13, N. Y.

Coming IN THE NEXT ISSUE

★

THE OLD SOUTH BURSTS WITH NEW GROWTH

The nation-wide upsurge in the social need for electric power and lighting is a phenomenon of our time, having a significant phase in the Southland. The expansiveness there shows a vigor which deserves emphasis for several reasons. Its basic economy of agriculture is undergoing a wholesome diversification as new industrialization favors a more balanced economy. Gerard M. Ives, vice president of the Guaranty Trust Company of New York, gives us a comprehensive description of the rapid and wholesome growth of the Southland and the part played by its great utility industries.

SETBACK FOR A SUPER CO-OP

The Virginia Electric & Power Company's determined campaign to preserve private power in the upper South was successful in December, when the Virginia Corporation Commission rejected the Old Dominion Electric Coöperative's petition for a $16,000,000 REA loan. What happened in the long fight that preceded the commission's order is told by James J. Kilpatrick, editorial writer of the Richmond News-Leader.

LEGISLATIVE OUTLOOK IN THE 44 STATES

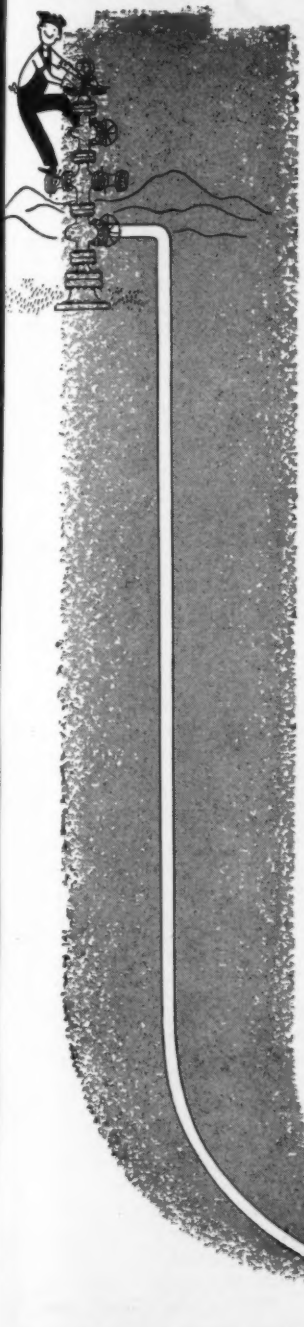
This is the year of the "big biennial" when 44 out of the 48 states have regulatory legislative sessions. There will also be special sessions during the year 1951. Arnold Haines has analyzed preliminary news items in an effort to evaluate the trends in state legislation likely to be passed or not passed, with special reference to public utility interests.

FIFTEEN YEARS OF THE HOLDING COMPANY ACT

Here is a review of the story of the Holding Company Act from the day of its stormy passage in 1935 to the present critical era of national defense. Nathan D. Lobell, executive adviser of the public utilities division of the Securities & Exchange Commission, has lived with the administration of this controlling statute and has seen it develop. Admittedly favorable from the standpoint of a regulatory specialist, the author endeavors to give an objective appraisal of some of the virtues and defects, triumphs and mistakes, in the statute's enforcement to date.

★

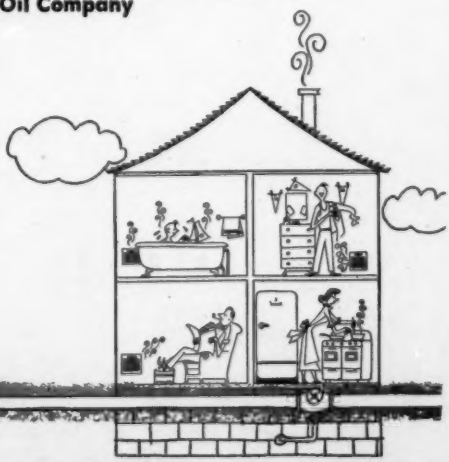
Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***



SERVING THE PUBLIC AND INDUSTRY 24 HOURS A DAY

COLUMBIA GAS SYSTEM

The Manufacturers Light and Heat Company
United Fuel Gas Company
The Ohio Fuel Gas Company
Atlantic Seaboard Corporation
Amere Gas Utilities Company
Virginia Gas Distribution Corporation
Virginia Gas Transmission Corporation
Big Marsh Oil Company
Central Kentucky Natural Gas Company
Binghamton Gas Works
Cumberland and Allegheny Gas Company
Eastern Pipe Line Company
Home Gas Company
The Keystone Gas Company, Inc.
Natural Gas Company of West Virginia
The Preston Oil Company



Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

LEO T. CROWLEY
Chairman of the board, Chicago, Milwaukee, St. Paul & Pacific Railroad.

"If a business is to continue and prosper or, I might say, if it is to have any incentive to continue at all, it must earn profits over and above its cost of operation sufficient to provide a fair return to those who furnish its capital."

ALLAN B. KLINE
President, American Farm Bureau Federation.

"Inflation cannot be stopped by price, wage, and ration controls. They interfere with production, impair the flexibility of our economy, reduce our capacity to expand output, require huge administrative staffs, and invite black markets."

LEWIS HANEY
Professor of economics, New York University.

"Let's make the government folks economize first. Support the Congressman or Senator who is sound and economical If you believe in private enterprise, listen to the arguments of businessmen. If not, why fight Communism?"

HARRY FLOOD BYRD
U. S. Senator from Virginia.

"If we deliberately take the easy course and start deficit spending to the extent of $25 billion for just one year, short of total war, it is not likely that we shall ever be willing to make the sacrifices which later will be necessary to balance the budget."

EDITORIAL STATEMENT
Chicago Journal of Commerce.

"As far back as the middle thirties, the party in power nas counted first upon money tinkering and then upon deficit financing to implement its social planning. Taxes have been levied more largely for the purpose of redistributing wealth than for government revenue."

ROBERT L. DOUGHTON
U. S. Representative from North Carolina.

"I have always considered the interest of business and government as mutual and reciprocal. Government relies heavily upon the profits of business for revenue. On the other hand, the life of business depends upon the protection it receives from a strong, soundly financed government."

ROBERT E. WILSON
Chairman of the board, Standard Oil Company (Indiana).

"The government's entrance into the field of research is likely to defeat its own ends by discouraging a much larger volume of research, which would otherwise be undertaken by private industry. Another objection to government applied research is the unfairness inherent in having the government tax industry to obtain the money to compete with it."

New International Service Truck designed for away-from-the-shop utility. Gives service men more compartment area for tools and supplies. Materials trays are built in, parts bins have dividers. Body floor ribbed for strength, provided with drains. Compartments are weather-tight, doors have slam-action catches, locks all keyed alike. Shelves and partitions have rolled edges, to prevent cuts and torn clothing.

NOW—a truck that saves you money, with a body you can bank on!

Check out this new International service truck with these economy ideas in mind:

It's lined with heavy-duty engineered truck stamina. That's maintenance and repair dollars—saved.

It's powered by that new Silver Diamond valve-in-head engine, an *all-truck* engine, the one that's set the record books on their ear for speed and smooth power with low gas consumption.

It features the new Comfo-Vision Cab—with thick-cushioned seating, one-piece, see-everything Sweepsight windshield, all-steel safety construction. That promises increased driving comfort and efficiency.

And you can bank on additional savings from that all-steel service-utility body, because tools and time-on-the-job are money too.

Doesn't all that sound like a cost-wise investment on *your* job? The rest of the good news is waiting in the form of a demonstration at your nearby International Truck Dealer or Branch. Their sales and service facilities are all over the map.

International Harvester Builds
McCormick Farm Equipment
Farmall Tractors... Motor Trucks
Industrial Power... Refrigerators and Freezers

ALL NEW, ALL PROVED

INTERNATIONAL TRUCKS

INTERNATIONAL HARVESTER COMPANY CHICAGO

FRED OTHMAN
Columnist.

"I'll be delighted if Congress chooses to ignore the recommendation of the Federal Water Resources Policy Commission that it study the problem of public recreation. Later maybe, but not now."

EDITORIAL STATEMENT
The Wall Street Journal.

"The spark of the free enterprise system is incentive—the pride in making and selling a better product, in outdistancing a competitor, in receiving a reward in dollars and in the things those dollars will buy."

WINSTON CHURCHILL
Former Prime Minister of Great Britain.

"[Socialism is] the weakest of all bulwarks against Communism. They (the Socialists) lead people up the garden path to the brink of the precipice and then turn around and say, as they tumble over, 'We are very sorry; we never meant to go so far.'"

PETER EDSON
Columnist.

"President Truman's State of the Union message is just as broad or as narrow as you want to take it. You can read into the message anything you are for, or anything you are against. If this is what it takes to achieve unity, everyone should be pleased."

M. S. RUKEYSER
Columnist.

"It is becoming increasingly apparent that government is a clearing house, rather than a creator of wealth, and cannot give anything to anyone without first taking it away from someone else. This principle is sometimes described as robbing Peter to pay Paul."

EDITORIAL STATEMENT
The Saturday Evening Post.

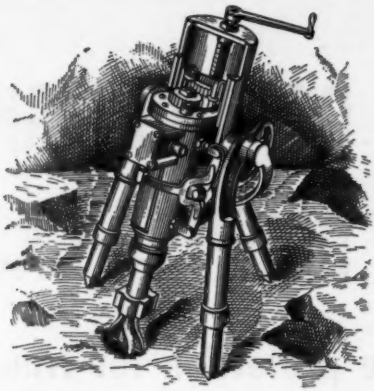
". . . a planned economy presents the opportunity in one neat and tidy package to extort more and more taxes from the consumer, make him pay higher prices for what he is allowed to buy, and convince him that the people who are doing this to him are his benefactors! Planning, it's wonderful—for the planners."

L. R. BOULWARE
Vice president, General Electric Company.

"Not only as a private employer but as a contractor for the Atomic Energy Commission, we believe that the labor law should require affidavits of both company and union officials that they do not belong to the Communist party, or to any party which plans, teaches, or advocates the use of violence or force to overthrow the government of the United States."

BEN MOREELL
Chairman and president, Jones & Laughlin Steel Corporation.

"The special tax privileges for producer and consumer coöperatives must be repealed, or extended to all corporate business. The law which gives tenants special treatments at the expense of home owners must be abolished. Whatever the sacrifice, our government must live within its income; and the amount of that income which is taken from the people must be drastically reduced."



From the primitive, hand-operated drilling-machine of 1871 to the self-powered "coal popper" of today is a long step forward. Modern coals, too, show equal improvement over their predecessors. Photo shows modern "coal popper" in action, drilling blast holes into uncovered coal seam.

FACILITIES FOR THE SMALLEST OR THE LARGEST

The 225-acre Newport News plant includes plate steel and machine shops equipped with a complete variety of tools to fabricate items of water power equipment of any size. Contracts received by Newport News for hydraulic turbines with an aggregate rated output in excess of 7,000,000 horsepower have included units as high as 165,000 horsepower and as low as 500 horsepower.

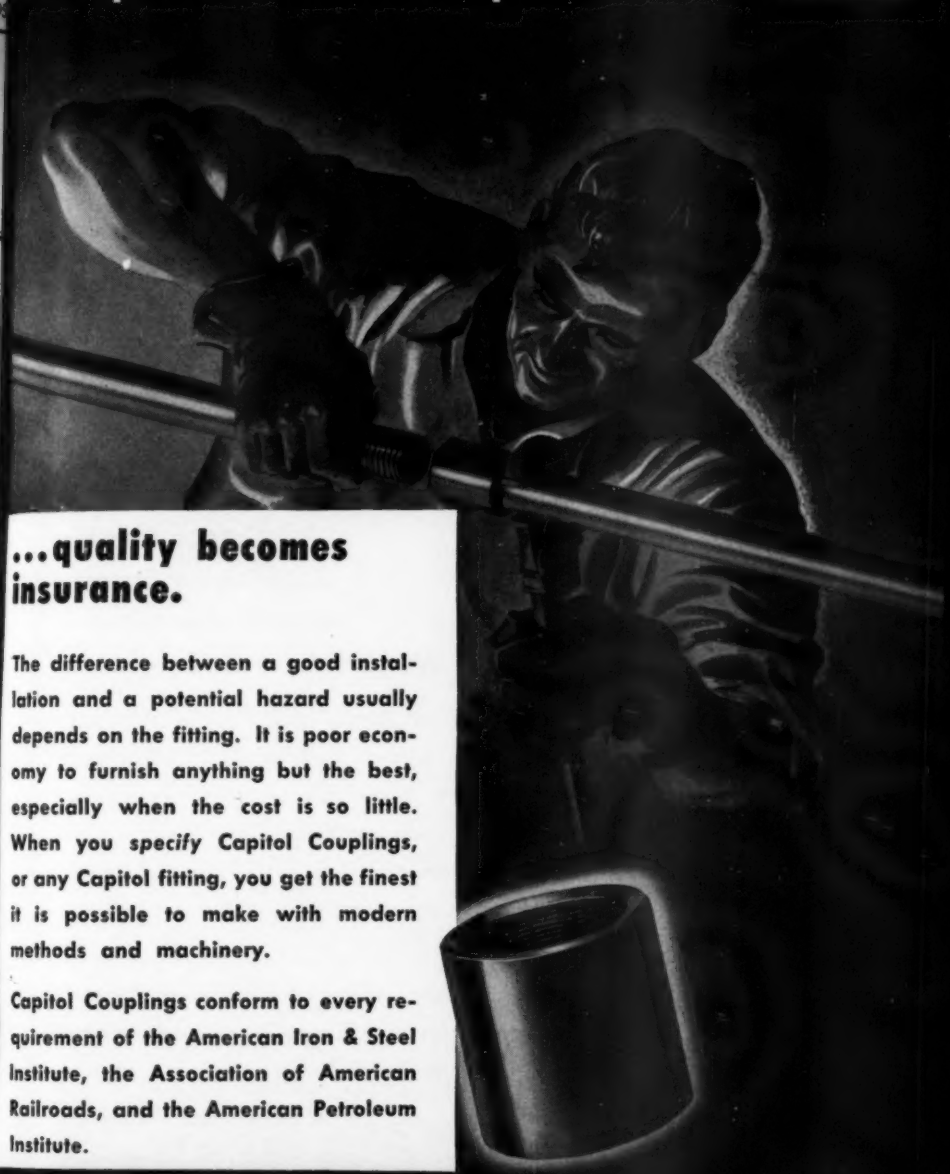
Supplementing the extensive facilities are the equally important experienced and skilled personnel at Newport News to design and build such equipment.

Your inquiries for hydraulic turbines of any size will receive prompt attention.

Write for illustrated booklet on water power equipment.

NEWPORT NEWS
SHIPBUILDING AND DRY DOCK CO.
NEWPORT NEWS, VIRGINIA

hen performance depends on a thread

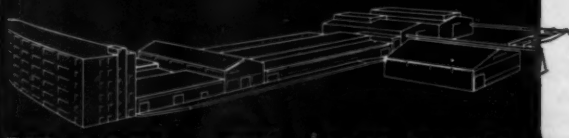


...quality becomes insurance.

The difference between a good installation and a potential hazard usually depends on the fitting. It is poor economy to furnish anything but the best, especially when the cost is so little. When you *specify* Capitol Couplings, or any Capitol fitting, you get the finest it is possible to make with modern methods and machinery.

Capitol Couplings conform to every requirement of the American Iron & Steel Institute, the Association of American Railroads, and the American Petroleum Institute.

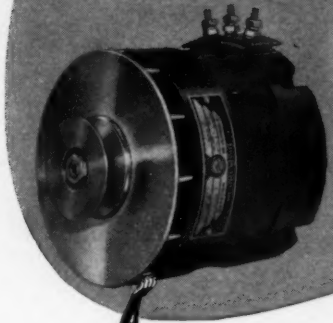
Ask your jobber about Capitol Couplings.



UPLINGS — NIPPLES — UNIONS — RADIANT HEAT FITTINGS
WELL SUPPLIES — STEEL PIPE FITTINGS

CAP CAPITOL
MFG. & SUPPLY CO.
COLUMBUS, OHIO

Dependable Power
For
DISASTER COMMUNICATIONS SERVICE



Leece-Neville Alternator System Saves Maintenance, Materials and Manpower

A Leece-Neville AC-DC Alternator System delivers 25 to 35 amperes with the engine idling. This effects substantial gasoline savings and reduces engine wear. Current is delivered at a constant, fixed voltage, which lessens deterioration of scarce radio tubes and batteries.

Most important of all is the famous dependability of the Alternator System. To help insure vital communications in case of disaster, every mobile radio should be equipped with the Leece-Neville Alternator System.

For all the facts, write Dept. 26,
The Leece-Neville Co., Cleveland 14, O.
Pioneer and STILL Quality Leader

Leece-Neville

KEY MEMBER IN THE POWER TEA

ELLIOTT deaerating heater

Deaerating feedwater heaters are only one of an impressive list of Elliott equipment for power and process needs. The list includes generators, motors (large and small), turbine-generators, mechanical drive turbines, centrifugal blowers, condensers, steam jet ejectors, as well as smaller but vitally important units such as strainers, tube cleaners, and other steam plant accessories. Details and bulletins on any of this equipment are available at request.

NOT many years ago, corrosion in boi ers, piping, and other steam and wate handling equipment was looked upon a normal . . . Then came the Elliott deae ator, designed to remove the corrosion causing dissolved oxygen in the feedwate —and vastly lengthening equipment life

Today, deaeration is universally ac cepted in steam power plants, and Elliott deaerating heaters — still far ahead in design — are everywhere defeating life-shortening corrosion.

N-1000

ELLIOTT COMPANY, Deaerator and Heater Dept., Jeannette, P

Plants at: JEANNETTE, PA. • RIDGWAY, PA.
AMPERE, N. J. • SPRINGFIELD, O. • NEWARK, N. J.
DISTRICT OFFICES IN PRINCIPAL CITIES

YOU'RE A STEP AHEAD WITH ELLIOTT

Utilities Almanack

February

15	Th	¶ *Edison Electric Institute, Transmission and Distribution Committee, begins meeting, Atlanta, Ga., 1951.*
16	F	¶ *American Gas Association begins Great Lakes personnel conference, Chicago, Ill., 1951.*
17	Sa	¶ *First Annual Regional Television Seminar ends, Baltimore, Md., 1951.*
18	S	¶ *Public Utility Buyers' Group of the National Association of Purchasing Agents begins midwinter conference, Pittsburgh, Pa., 1951.*
19	M	¶ *Canadian Electrical Association, General Division, Eastern Zone, begins meeting, Quebec, Canada, 1951.*
20	Tu	¶ *American Concrete Institute begins meeting, San Francisco, Cal., 1951.*
21	W	¶ *American Society of Civil Engineers begins spring convention, Houston, Tex., 1951.*
22	Th	¶ *American Society for Testing Materials will hold spring meeting, Cincinnati, Ohio, Mar. 5–9, 1951.*
23	F	¶ *Chamber of Commerce of the United States, Employer-Employee Relations Council, begins meeting, New York, N. Y., 1951.*
24	Sa	¶ *Mid-West Gas Association will hold annual convention, Omaha, Neb., Mar. 12–14, 1951.*
25	S	¶ *North Central Electrical Association begins electrical industries convention, Minneapolis, Minn., 1951.*
26	M	¶ *Canadian Association of Broadcasters begins meeting, Quebec, Canada.*
27	Tu	¶ *American Transit Association, Region I, begins management, small operations, and maintenance meeting, Boston, Mass., 1951.*
28	W	¶ *Florida Association of Broadcasters and Florida State General Extension Division Sports Clinic begins meeting, Gainesville, Fla., 1951.*

Courtesy, Philadelphia Gas Works Company

Soldiers of Public Service

Reconditioning a city's gas mains

Public Utilities
FORTNIGHTLY

VOL. XLVII, No. 4 FEBRUARY 15, 1951

Labor Unions Look at Public Ownership

Recently some labor leaders in the utility field have been showing uneasiness over trends in government policies likely to result in the socialization of utility service. This reaction has been in notable contrast with the top-level thinking of national leadership in our two large American union organizations.

BY LARSTON D. FARRAR*

ALTHOUGH many of the old familiar names and faces in the labor union movement may seem not to have changed, the fact is that the men behind these movements have been changing their opinions about a great many things. Anyone who has read even the front pages of the daily newspapers since 1940 knows that many labor leaders, until fairly recently, were ridiculing the idea of a "Communist menace" in the labor movement. Yet, within four short years of that time, both the Congress of Industrial Organizations and the American Federation of Labor had carried out full-scale purges of Communists from individual unions and Communist-dominated unions from the national labor organizations.

This most meritorious development did not come as soon as the facts were apparent to a few sharp-minded investigators and writers who were

*For personal note, see "Pages with the Editors."

fighting Communism in America. Unfortunately for our labor leaders, as well as for the rest of us, these early alarms were ignored, or even ridiculed, for some years before the facts became apparent to large numbers of our citizens. The purge of Communists from the American labor movement came several years later than it should have come. No one today, except for fellow travelers and a handful of confused intelligentsia, could doubt the desirability of this overdue development.

In recent years, as more and more information has become available, most union leaders have begun to grasp the real implications of what Socialism or Communism means to a society, most particularly what a socialistic or communistic society means to unions. It is now possible to report that union leaders, in addition to studying their *immediate* and personal problems—how to get more wages or better working conditions for their members — also have been taking longer looks at their *ultimate* problem—that of retaining their members' freedom in a nation in which the areas of economic freedom have been shrinking alarmingly with every passing year.

Coming now to the utility unions, we have an interesting, if not anomalous, situation. It is the conflict between the top policy levels of both organized labor groups and their respective operating utility union divisions, over the subject of increasing public ownership in the electric power field. Both the CIO and the AFL are generally committed, at their respective top policy levels, to "valley authorities" and similar promotion of public ownership. But over the past couple of years both the CIO Utility Workers Union and the International Brotherhood of Electrical Workers, which is its opposite number in the AFL, have been drifting steadily away from any alliance with public ownership promotion and have shown increasing sympathy for private enterprise in the electric power and other utility fields.

Now this utility union trend away from public ownership was highlighted by two developments late in 1950, which we will note in more detail later on: (1) the appearance in the November, 1950, issue of *Reader's Digest* of a signed article by Joseph A. Fisher, national president of the CIO Utility Workers Union, vigorously opposing Federal participation in power distribution; (2) at its annual convention in Miami, Florida, the AFL International Brotherhood of Electrical Workers enthusiastically applauded speeches by J. Wesley McAfee, president of Union Electric Company of Missouri, and McGregor Smith, president of Florida Power & Light Company. The IBEW president, Daniel W. Tracy, restated a policy position on private *versus* public ownership of electric utilities, which criticized the "increase in the area of government and quasi government ownership operation in utilities."

How do the CIO and AFL explain this apparent conflict? The national headquarters of each organization makes no attempt to explain. Spokesmen for the CIO Committee on Regional Development and Conservation

merely pointed to the "democratic" structure of the CIO, which permits local autonomy by separate unions on such questions. The Fisher article in *Reader's Digest* was noted with regret but no official disapproval.

Back of the CIO policy position is the well-known socialistic sentiment of certain CIO leaders, such as Walter Reuther of the automobile workers, Philip Murray, CIO president, also head of the steel workers, and Jack Kroll, head of CIO's leftist Political Action Committee. National AFL top policy is less definite. But its pro-public ownership tone continues to be reflected by an official AFL spokesman. He is Frank Edwards, radio commentator for the AFL, who has been consistently critical of the utility companies in various controversies on the subject of public power. Last summer, Edwards actively espoused the cause of the Rural Electrification Administration in the case of a South Carolina "super co-op" and drew protests from local IBEW unions. Later we will note what IBEW has done on the REA front.

No early solution to this internal union cleavage is presently in sight. Over the long run, the relative success or failure of the politically active zealots in both AFL and CIO may change the picture somewhat. In the recent elections, the CIO-PAC element lost considerable face; so the right-wing position of the two utility unions may soon command more respect in the higher union councils. The IBEW convention did approve a resolution for more power development on the Columbia river as sought by local utility companies.

But the election results did not make much difference to CIO President Murray when he took the floor at a meeting in Chicago last November 23rd to support a resolution endorsing TVA—a resolution which was adopted over the opposition of CIO Utility Workers Union President Fisher. Said Mr. Murray:

> I don't profess to be a Socialist any more than I am a Communist. But if I thought it would serve the best interests of the people of the U. S. for the government to take over industries of this kind, I would vote for it no matter a damn what anybody calls it.

To document what has been said about "conflict" between the top level and local operating union level along somewhat ideological lines, let us consider the following brief excerpts:

A top level CIO publication which first appeared in September, 1949, entitled "The Foundations of Prosperity," included, in effect, the report of the CIO Committee on Regional Development and Conservation, headed by John Brophy. Here is what the CIO booklet said about public utility regulation as distinguished from public ownership:

¶ "THE *purge of Communists from the American labor movement came several years later than it should have come. No one today, except for fellow travelers and a handful of confused intelligentsia, could doubt the desirability of this overdue development.*"

> Long before TVA, students of public utilities had become convinced that regulation through commissions, based on a supposed fair return on property whose values could never be effectively determined, was unworkable, and a fraud on the public. This is still true. . . . We favor a congressional investigation into the electric utility industry to find out what help can be given by the government to states and municipalities desiring to establish or extend their own publicly owned power systems by the purchase of facilities now in private hands.

THE publication goes all out in its endorsement of "TVA" on all major river basins—to be organized *à la* TVA. This endorsement was even at the expense of other forms of Federal development, such as the so-called "Pick-Sloan" plan for the Missouri river. On the subject of distributing power, the report stated:

> We underscore the policy of numerous CIO conventions approving the basic principle of the TVA which calls for public development transmission, and distribution of hydroelectric power, and we urge the application of that principle throughout the country.
>
> TVA has proved the possibility and desirability of public development of hydroelectric power everywhere.
>
> Our remaining undeveloped waterpower resources, where it is deemed desirable to develop them, should in all cases be harnessed by public agencies.
>
> Power developed at public dams should in all cases be transmitted over publicly owned and operated transmission lines.
>
> Public power should also in all cases be distributed with preference to municipal and coöperative distributing agencies.
>
> Where auxiliary steam plants are necessary or desirable in connection with public hydroelectric power plants, they should be constructed and should be owned and operated by the public.

Now let us change the spotlight to the local union level:

Joseph A. Fisher, national president of the CIO Utility Workers Union of America, in his *Reader's Digest* article already mentioned, observed that in 1930, Federal government power plants had a generating capacity of 226,000 kilowatts, but that Uncle Sam now owns generators producing 14,000,000 kilowatts and has under construction, or is authorized to construct, plants to generate another 6,000,000 kilowatts.

HE pointed out that this means that in another few years the bureaucrats will have control of half as much generating capacity as the private utilities now have, and that "we fear this is only the beginning."

"Our national convention of the UWUA, CIO, with over 400 delegates from all over the country . . . believe in our traditional system of free enterprise, the system that has made America a great nation and has provided for our workers the highest standards of living anywhere in the world," he wrote.

"We are opposed to Communists, Fascists, Nazis or any other subversive groups and we bar them from membership. We are opposed to Socialism or any other 'ism' that would advocate abandonment of our system of private enterprise."

Mr. Fisher observed that our people are being told that government control of the power industry does not

Union Organization among REA Co-ops

"ORGANIZED labor may be preparing to move into the REA coöperative field in earnest. The IBEW is stepping up its organizing campaign on the theory that it has now been given the green light by a series of recent decisions of the National Labor Relations Board. There have been three of these NLRB decisions involving REA co-ops, in which the ruling has been to the effect that co-ops are engaged in interstate commerce, therefore are subject to NLRB jurisdiction for purposes of labor regulation."

mean the end of free enterprise, but he asserted that "control of the electrical industry is the key to control of the major industries of the nation.

"We know from experience that our members employed by government-sponsored co-ops of the Rural Electrification Administration, as well as those employed by municipalities which run their own light and power business, work under conditions inferior to those enjoyed by our members employed in private industry," he declared. "Employees of public power authorities have little or no job security, since they are not covered by Civil Service laws. Job security, promotional opportunity, and working conditions too often become the 'tools' and 'plums' of politicians and their friends. Consumer rates, wages, and conditions of employment are fixed by political management, while the worker is denied the right to use either economic or legal appeal against the government. Our members employed in publicly owned plants work under conditions far inferior to those in privately operated utility plants.

"WE look with alarm upon government power projects that duplicate and are in direct competition with light and power companies with which we hold contracts. Nationalization of the power industry is creeping up on us under the guise of flood control, navigation control, and the development of our natural resources. . . . This government was not built to become a business organization, manufacturing and distributing products of any kind. It moves beyond its scope when it undertakes to distribute electric power to the people. And it is striking a blow at the whole structure

of our system of free enterprise when it seeks to limit distribution of power to publicly owned power companies. . . .

"The encroachment of government in private industry must be stopped. Unless it is stopped, we will soon have authorities—not elected, but appointed—who will constitute a supergovernment with control of practically all the electric power in the nation. . . .

At what point can government encroachment be stopped? That point is here and now—in the field of electric power. Private utility management must coöperate with the government in the development of our natural resources. Politics must be eliminated from the state and national regulatory bodies. Public service commissions must maintain constant surveillance to assure adequate service at the lowest possible cost consistent with good business practices. That is our program.

"Our union calls for curtailment of government encroachment into private enterprise and a return of the electric power business to regulated, tax-paying, privately owned companies."

Now let us turn to the AFL. Another long-time labor leader of much prestige, in another organization, had spoken out just as plainly against the ever-encroaching moves of Uncle Sam's busy bureaucrats. He was Daniel W. Tracy, president of the International Brotherhood of Electrical Workers, who had stated, in no uncertain terms, the opposition of his union to public ownership of the power industry.

On May 25, 1950, Mr. Tracy issued a press release pointing out the economic disadvantages suffered by members of the IBEW as a result of actions of the Rural Electrification Administration. The declaration, as Mr. Tracy pointed out later, was issued "not as a spontaneous outburst, but after mature deliberation, following persistent though patient effort, to obtain corrections of policies . . . inimical to the interests" of his members in various parts of the nation.

So, at the convention of electrical workers, this further statement was issued:

> The IBEW raises its voice on the subject of public power at this time in the interest of organized labor in the electric light and power industry. The subtle transformation of the government program from the proper purposes of providing power as a by-product of the initial program and of furnishing a "yardstick" for private utilities has reached the stage where it threatens free enterprise in this industry. We support free enterprise not only in our capacity as citizens of the United States but also in our capacity as representatives of organized labor. The increase in the area of government and quasi government ownership operation in utilities necessarily carries with it a decrease in the area of freedom for labor as well as other groups.
>
> Labor cherishes its right to bargain collectively for wages, hours, and working conditions. It fights the abrogation of such rights, whether in the form of antilabor laws or in the more complicated form of transferring their status to employees of the government without any rights to bargain collectively or otherwise exercise their economic strength.

In another action in the same convention in Miami, the IBEW adopted a "Political Situation" report which reads as follows:

. . . More and more each day, it becomes clearly demonstrated that government is increasing activities in the economic lives of the constituents. This is inadvertent in some instances; in other instances it is the result of a deliberate intention by certain elements to regulate the economic life of other elements to the advantage of profit and prosperity for some at the cost of subhuman standards of living to others.

This is strong talk about the value of freedom when we stop to think that only a few years ago labor leaders and delegates were generally ridiculing the idea that anyone ever could lose his "freedom" under the paternalistic program being sponsored by the Federal government.

The Utility Workers Union of America met a new rebuff — during late November, 1950 — in Chicago, where its leaders tried to get the CIO's resolutions committee to condemn the use of tax money to push public ownership of utilities. The CIO's chief politicians were able to squelch this effort, but, as the Washington (D. C.) *Times-Herald* pointed out editorially, these CIO leaders "may as well face the fact that they are fighting a losing battle." In other words, the *Times-Herald* editorialist feels that sooner or later the CIO itself will see the light and will fight continued Federal ownership of industry as vigorously as its leaders heretofore have favored and espoused such ownership.

"The workingman is waking up," the *Times-Herald* stated. "He is coming out from under the ether. He is catching on.

"Under the management of the union politicians, the workingman has been led right up to the trap of government ownership of all the means of production and distribution, a state of things sometimes called Socialism, Fascism, or Communism, and all the time meaning bad news for the independent working citizen.

"Now the public utility workers, struggling to escape, demand of other workers: 'how would *you* like to have your jobs taken over by the government?' . . . The rank and file of labor has caught onto it. . . . How soon will the union leadership catch up with the rank and file?"

THE executive council of the IBEW last May fired away at REA as follows, in a policy statement:

> The Rural Electrification Administration was brought into being for the purpose of facilitating the transmission of electricity into rural sections. Under the government power program, however, the facilitating intent has been substituted for by a plan involving what could well be and

❦

¶ *". . . over the past couple of years both the CIO Utility Workers Union and the International Brotherhood of Electrical Workers, which is its opposite number in the AFL, have been drifting steadily away from any alliance with public ownership promotion and have shown increasing sympathy for private enterprise in the electric power and other utility fields."*

assumes all the aspects of the first step in the evolution of governmental ownership of the generation, transmission, and sale of electricity to the individual consumers. Under this program the operations of the Rural Electrification Administration combined with the functioning of the Bureau of Reclamation, Department of the Interior, and the Army Engineers, have extended the scope of the program to a point that threatens peril to legitimate free enterprise.

The scope of the program now embraces the generation of electricity by power other than that procured through irrigation and flood control, steam as an instance; the distribution of electric power and the sale of electric power in direct competition with privately owned electric utility companies.

The Rural Electrification Administration, through its financing of coöperatives, has proceeded to the extent of using public moneys supplied by the taxpayers for the building of electric transmission lines parallel to existing privately owned distribution systems. The progress of this procedure is such as to clearly indicate complete duplication of transmission facilities in competition that can only lead to extermination of private utility companies. Such complete extermination has been accomplished in the state of Tennessee and is rapidly approaching completion in the state of South Carolina and is making rapid progress in the state of Nebraska.

In pursuing the above policy the Rural Electrification Administration has lowered the quality of work standards and ignored the rights of electrical workers to bargain collectively.

The resulting situation is anomalous indeed. In the first instance while the fundamental policies of the Federal government champion the rights of labor to organize and bargain collectively, the administration of the Rural Electrification completely ignores these rights of labor. In the second instance one branch of government is engaged in the prosecution of trusts and combines on the premise that the operation of such trusts is inimical to the commonweal. At the same time a department of the government is nurturing a governmental monopoly of the generation, distribution, and sale of the greatest power man has mastered for industrial production, home necessities, and public convenience.

SUBSEQUENT to the blast, IBEW succeeded in having REA Chief Wickard extend the Davis-Bacon Act to REA line construction so that IBEW President Tracy was able to say at the annual convention in Miami last October:

> Rapid correction of the indicated situation complained of is now being manifested by coöperation thoroughly consistent with the principles under which REA became a function of the Federal government. . . . However, it should be sufficient to advise the delegates to this convention that the construction local unions of the Brotherhood are being presently advised of $107,607,824 estimated cost of currently proposed REA projects throughout the country. Line construction has been brought under the provisions of the Davis-Bacon Act. Hitherto this act was applicable on building construction.

Organized labor may be preparing to move into the REA coöperative field in earnest. The IBEW is stepping up its organizing campaign on the theory that it has now been given the green light by a series of recent decisions of the National Labor Relations Board. There have been three of these NLRB decisions involving REA co-ops, in which the ruling has been to the effect that co-ops are engaged in interstate commerce, therefore are subject to NLRB jurisdiction

for purposes of labor regulation. In Alabama the board ruled that an REA borrower would have to submit to a bargaining election. Likewise, an IBEW local has been successful in getting the collective bargaining rights for the employees of the Cherokee (Iowa) County Rural Electric Coöperative Association. Another and similar Iowa case involved the Plymouth Electric Coöperative Association. So far IBEW has organized about 10 per cent of the approximately 1,000 REA co-ops.

YET, IBEW is likely to encounter considerable resistance from the management of some of the REA co-ops. The farmer members have long objected to paying the increasing union wage scale for construction and maintenance work. Some of the co-ops have suggested "membership work contributions" whereby farmers can avoid paying union wages. They are relying on obtaining some relief from state courts on the theory that co-ops are organized subject to state authority—which can protect the right of the co-op farm members to do their own work, for their own benefit. Regardless of the legal outcome, the issue is becoming a serious headache to Federal REA as well as the White House.

Several co-op managements have even hinted that they will sell out to private companies rather than meet the union demands. This is perfectly all right with IBEW, which has long had a satisfactory relationship with private companies. To avert an open break, REA, with the aid of the Department of Labor, is now making field studies to determine the "prevailing wage scales" on an exclusively rural area basis.

ON still another front, IBEW is also moving against local public agencies which resist union demands. IBEW President Tracy recently charged that the public power program in Arizona, operated by the Salt River Project Power District, is engaged in an old-fashioned campaign of "union busting." Tracy's charge was made in connection with a strike of some 1,200 members of IBEW Local 266 of Phoenix, who are employed on the electric light and power system and irrigation properties owned by the public power district. The district claims status as a government organization in applying for a temporary court order restraining union activities.

Tracy said the present difficulty originated in October, 1949, when the electric light and power system was transferred from private to public operation by the Secretary of Interior. He added that it is "fantastic to find that the public power program, which had the support of all organized labor in the past, is now being used to destroy collective bargaining, to break unions, and to keep substandard wages and conditions of labor."

¶ "IN *my experience of eighteen years, considering the perils that confront our nation, this* [*budget*] *message represents the very height of fiscal irresponsibility.*"

—HARRY FLOOD BYRD,
U. S. Senator from Virginia.

Zone Fares for Passenger Transit

PART II. *The desirability of a zone fare system*

A discussion of transit passenger fares and fare structures with some general observations which lead to the conclusion that managements might well undertake prompt surveys of their properties and operations with a view to establishing zone fare systems which reflect the length of ride and the costs of service rendered.

BY GRAEME REID*

IN the previous instalment of this article, there was a discussion of the inadequacy of flat fare increases for transit systems trying to operate under current economic conditions. It was pointed out that there are three alternative methods for reducing average passenger rides: (1) stimulate more short riding; (2) shortening the routes; (3) shortening the permitted length of the ride per unit of fare. This third alternative brings us to the main part of this discussion—the desirability of a zone fare system.

With costs of service continuing to increase, higher and higher revenue per passenger is required. Flat fares for local service already have risen as high as 17 cents, and 20-cent flat fares have been seriously proposed.

With over-all units of fare on such levels, transit tends increasingly to become a "commuter service," losing its true function as a relatively short-haul carrier in localized areas. In effect, such fares tell the short rider of one or two miles that if he does not wish to pay them he must walk or not go.

As single units of fare are increased, larger and larger numbers of short riders are penalized. These persons can always claim discrimination in favor of the long rider and could make out a good case to get lower fares for shorter rides. As this may be accomplished on existing lines only by some form of zoning system, it would appear that sooner or later

*For personal note, see "Pages with the Editors."

such systems will have to be established. It would seem better to anticipate this time by installing a just and reasonable zone system of fare collection before being forced into it as a last resort after suffering years of loss in terms of riding habit as well as revenue and net income. It will become increasingly difficult to bring back a riding habit of compensatory volume once it has been depressed by high flat fares.

Arguments against the Zone System

THE primary argument against or objection to a zone system most often raised by operating officials is the added complication of fare collection. In some cases, objections on the ground of complexity may be coupled with a disinclination to disturb a system of long standing and launch into the mental and mechanical effort of designing a zone system that will give maximum availability of service to the public at attractive fares and that will bring the greatest benefit to the company with the least cost to the riders. With this accomplished, there is still the problem of making out a case for the zone system so as to secure approval of regulatory authorities.

Superficially, the easiest way to get more revenue would seem to be by flat increases in fare. This requires no great mental effort; the necessity can be readily proved to the regulatory commissions by established processes, the simple flat increase affects all riders equally and thus gives an appearance of being nondiscriminatory.

In effect, however, as heretofore pointed out, the flat fare raise actually increases discrimination between short- and long-haul riders, in the sense of imposing a disproportionate share of the increase in fare on the short rider. In summary, objections to zone systems are:

1. Difficulty of designing an equitable and workable system.
2. Complication of fare collection.
3. The higher fare for the long-haul rider.
4. Possible objections on the part of regulatory authorities.

The broad answer to all of these is that if, as it seems, high flat fares provide no dependable source of increased revenue (over the long term), there remains no other recourse but to go to a zone system and this applies with equal force to public as well as to privately owned properties.

THERE is no question but that the design of an equitable and workable zone system must be based on a thorough survey of the property and operations, taking all significant factors into account. Riding characteristics must be known; between what points the passengers ride, how many, how often, how far, where, and when.

It is a startling fact that very few transit operators have any accurate idea of the average length of ride per passenger on their lines, relying, if considering the question at all, on their own guesses, the estimates of supervisors, or past surveys long out of date.

The information derived from an up-to-date survey of riding is essential not only for a determination of an adequate, just, and reasonable fare study, but in equal measure for an

evaluation of the economic and public necessity for the volume of service afforded on all parts of each line. It is not sufficient to judge the economy of the operation of a whole line without also having some knowledge of the net returns from each part of that line. It may not be practicable that all parts of a given operation afford equal return, but there is no reason why excessively lean portions should not have a fare sufficient to justify them or the service thereon be curtailed if not abandoned.

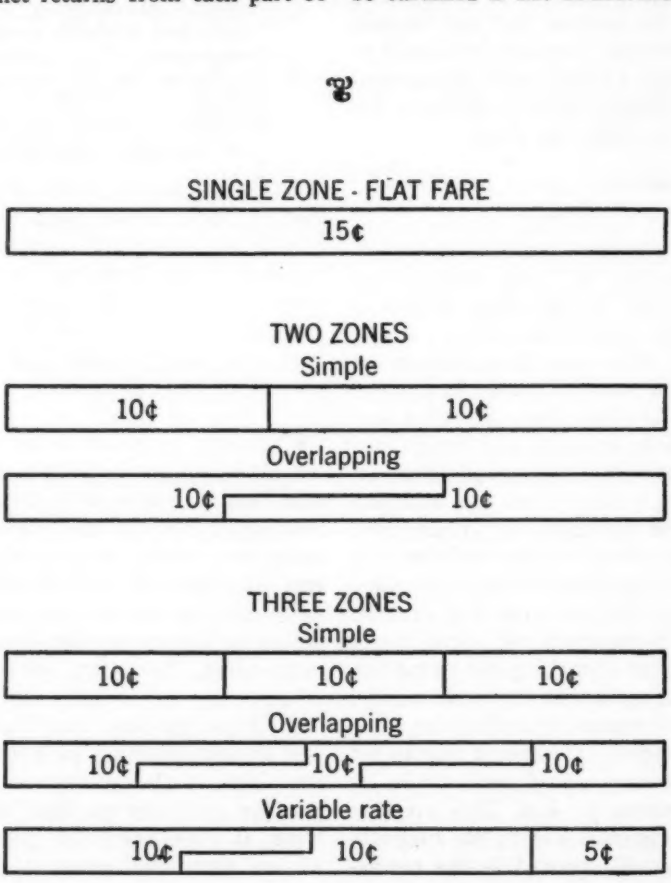


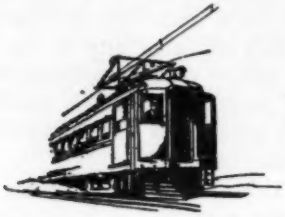
CHART NO. III
THE FLAT FARE AND SOME COMPARABLE EXAMPLES OF TWO AND THREE ZONE FARE SYSTEMS

THE general concept of a fare zone system involves a selection of some one point or points on a route at which an additional unit of fare is required. Usually, the survey of a line of any considerable length will disclose points where such zone limits may be placed at a minimum of hardship to relatively short riders adjacent thereto, while catching a maximum of the long-haul traffic. Municipal boundaries may often be logical locations for such limits, especially if they lie at points of low local riding density, for at this point an additional fare is obtained from all persons traveling between the main city business section and the center of population of an adjacent suburban area without unduly penalizing those who ride locally within these areas.

This also has a unique advantage of permitting a lower fare within the controlling limits of each individual political entity. However, in the larger cities, it may well be necessary to establish zone points within the city limits, perhaps at some location roughly dividing the city's business and industrial section from its residential area. If it is found that the logical zone limit will heavily penalize short riders adjacent thereto, it is perfectly possible, as has been done, to establish overlapping rather than fixed one-point zone limits, or superimpose an added overlapping zone spanning the established one-point limit. A few such systems are shown diagrammatically in Chart No. III on page 212. These are, of course, subject to infinite variations in combining one type with another, in number of zones, differing zone lengths, and different fares in different zones. Accordingly, it is entirely possible to design a fare zone system that will afford a reasonable fare for the long rider without penalty to the short rider and end the discrimination against the short rider which results from a single flat fare highly favoring the long rider.

A PROPER analysis of riding characteristics and operating costs will disclose what portions of a system are producing the least net returns. It is only reasonable and necessary (in the public's as well as the company's interest) that fares should be adequate to cover costs of the operation as a whole even though it may be that some portions would yield an excessive return with a minimum fare and other portions may be operated at some equalizing or offsetting loss. However, it is entirely unreasonable to expect that heavily losing operations can or should be maintained with an inadequate fare as part of the system which, as a whole, is not earning sufficient income to meet its financial obligations and still maintain a good quality of service. The fare zone system may and should be designed to afford an adequate revenue from currently poor paying portions of the system. If, however, such resulting higher fares fail to remedy the situation there may then be ample justification for abandonment of the service in these areas without impairment to the system as a whole.

A zone fare system gives management much greater opportunities for the flexible adjustment of fares to cost of service. It not only permits a higher fare for long hauls but may also permit lower fares for short riders, thus stimulating this more profitable class



Unique Economies of the Transit Business

"THE primary objective of the zone fare system is to adjust the riders' cost of service to the quantity or mileage of service they use. No other business, industry, or utility attempts to sell its product or service on a one-price basis regardless of quantity. Historically, the transit industry's one-price system is an outgrowth of the old 5-cent fare which was sufficiently small from the customers' standpoint but enough to yield earnings required to support the service."

of business and coming closer to a long-term solution of revenue problems than is possible to obtain from "upward spiraling" of flat fares.

Question of the Higher Fare For the Long Rider

THE primary objective of the zone fare system is to adjust the riders' cost of service to the quantity or mileage of service they use. No other business, industry, or utility attempts to sell its product or service on a one-price basis regardless of quantity. Historically, the transit industry's one-price system is an outgrowth of the old 5-cent fare which was sufficiently small from the customers' standpoint but enough to yield earnings required to support the service.

It may be, with the current decline in the value of money, that the 10-cent fare unit is not now too great for most customers, however short their ride. Certainly, however, the more that fares rise above 10 cents, the greater will be the tendency toward loss of profitable short riding and of "riding habit" in the area affected. Actually, people have been brought, by long usage and custom over the years, to believe they are entitled to ride as far as they want on payment of a single fare. No person can seriously argue that if the price of sugar is 5 cents per pound they should also be entitled to 5 pounds of sugar for the same 5 cents if they happen to want 5 pounds. Any reasonable person who rides 5 miles for 10 cents should well know he is getting a bargain which has no counterpart in any other business. Certainly, the longer ride costs and is worth more than a shorter one—a fact disputable only by those who would ride at the expense of others.

While the effect of zone fares is to make the long-haul rider pay more, it actually reduces discrimination against the short-haul rider, as previously pointed out. In addition, it should be borne in mind that while the long rider pays more, he has offsetting benefits. The long-haul riders for the most part are those traveling between outlying residential sections and the center of business areas. Property values and taxes are less and living conditions much better in outlying and suburban areas. For these benefits, if they are willing to sacrifice the extra travel time involved, the question of transportation costs becomes relatively negligible.

REGULATORY authorities, be they municipal, regional, state, or Federal, are representatives of the public, including the service companies, and appointed by elected officials. While they are supposed to be and generally are beyond the whims of ordinary politicians, they cannot help but give some consideration to political factors.

Transit fares seem destined always to be a political football, perhaps more so than rates of other types of public service properties because the riders pay cash every time they use the service. Hence, the economics of the service or financial condition of the company are not always controlling factors. A flat increase in fares hits a tender spot in a large group of persons, most of whom are voters.

A major advantage of the zone system of fare collection is that, while it makes the comparatively few long riders pay their proper share of the cost of service, it benefits the greater number of short riders by not penalizing them with long-haul costs. While there may be protests from long riders, these should carry little weight in the face of the benefits to the greater number of short riders. For the most part, long riders would understand the equity of the situation, at least to some degree.

In some cases, zone systems, with zone limits correctly established, may permit the reversion to the popular 5-cent rate at least on some parts of a property. Regulatory authorities, considering a zone proposal, have the political advantage of being able to cite either a minimum or no increase in fare for the larger group of persons, possibly even a reduction for some, to offset the increases for the smaller number of long riders. The proposal of a zone system of fares might well make just the difference necessary to swing an adverse public and regulatory reaction into a favorable and coöperative attitude.

Complications of Zone Fare Collections

UNQUESTIONABLY, the difficulties and possible delays in the collection of fares are one of the strongest arguments against zoning. While it must be admitted this complicates fare collection, nevertheless zone systems have been, for many years, successfully operating here and abroad, showing that whatever difficulties exist are not insuperable and can be overcome. Managements have the choice of shouldering either (1) the extra troubles of zone fares, or, (2) the losses in traffic and earnings inherent in flat fare increases high enough to overprice short-haul service.

Actually, zone systems need not be overly complicated. Many lines may be equitably divided into no more than two fare zones. This may be accomplished with little added complications. Dividing a line into, for example, two 10-cent zones, A and B, with a ride from Area A to B and from B to A costing 20 cents, is accomplished by having the passengers pay the 10-cent fare only as they enter the vehicle in the first zone area, and only as they leave the vehicle in the second area. Thus, on an inbound trip from Area A toward Area B riders boarding in Area A pay 10 cents as they enter and pay nothing when they leave, if still within the limits of Area A, but pay another 10-cent fare if they leave in Area B. Passengers boarding in Area B pay no fare as they enter the vehicle, but pay 10 cents as they leave.

In the reverse direction, passengers boarding in Area B pay 10 cents as they enter and nothing as they leave, if still within that area, but pay an additional 10 cents if they leave the vehicle in Zone A. Passengers boarding in Zone A pay nothing as they enter and pay 10 cents as they leave. It is also quite possible under this system to permit a fairly substantial overlapping zone limit area rather than a fixed single zone point. The one difficulty in this is that a person riding fully within the limits of the overlapping area may theoretically ride free if not noticed and identified by the operator. In some cases it may be preferable to absorb a certain amount of loss due to some free riders within such an area rather than further to complicate collection.

An example of an extended overlapping area is in the case of a line operating for some distance on either side and through a business and shopping district. In this case two zones were established, each overlapping the other throughout the length of the downtown portion of the ride. This permitted persons to ride from either side of the district to any point within the business area for a single fare, but required that two fares be paid for a ride extending from a point beyond the business area on one side to a point beyond the business area on the other side.

Zone systems calling for more than two fare areas require passenger identification or a supplemental collection taken up on the vehicle. Either of these methods may be employed quite simply in connection with the heretofore described 2-zone method using the 2-zone system for adjacent areas of

¶ "On *a property of any substantial size, facilities for the free or nominal-price transfer from one service to another become a virtual necessity under a single over-all unit of fare. A zone system of fares may be designed in many cases so as greatly to reduce if not completely eliminate this requirement, as zone limits may be placed at or adjacent to transfer points or service may be slightly rerouted to permit transfer at zone limit points.*"

heaviest riding, and the supplemental collection or passenger identification in the relatively light fare zone. However, it is not an undue hardship to have persons either pay the full fare to whatever their destination may be as they enter the vehicle, receiving an identifying receipt which is surrendered and checked by the operator as they leave.

The simple process of checking such identifying receipts adds little or nothing to passenger discharge time. Similarly, persons may be presented as they enter the vehicle with a slip designating the zone within which they entered, and they will then pay whatever fare is required as they leave. It is true, however, that either of these methods calls for a double transaction between the passenger and operator for all riders, one as they board the vehicle, and one as they leave, and thus sacrifices the benefits derived from a wide separation of entrance and exit facilities.

It is a simple matter to integrate such special fares as ticket or token rates, or special nonrush hour fares, into a zone system, such special fare units simply taking the place of the unit of cash zone fare prescribed.

On a property of any substantial size, facilities for the free or nominal-price transfer from one service to another become a virtual necessity under a single over-all unit of fare.

A zone system of fares may be designed in many cases so as greatly to reduce if not completely eliminate this requirement, as zone limits may be placed at or adjacent to transfer points, or service may be slightly rerouted to permit transfer at zone limit points. In addition, by holding the unit of fare to the minimum made possible by the zone system, the loss of free or nominal-price transfers becomes less objectionable to the rider. Public Service Coördinated Transport of New Jersey has operated its widespread property under the fare zone system for many years without the use of transfers. However, there is nothing to prevent the use of free or nominal-price transfers under the zone system if required, the transfer being good for the fare required in the first zone ridden on the line to which the transfer has been made.

Conclusion

It may be fairly concluded that: (1) current economy of the transit industry requires much more revenue than it can get from flat fares; (2) to improve and stabilize earnings, flat fare structures must give way to fare structures which reflect the length of ride and the cost of service; (3) with continuance of high costs, more and more transit systems must look for relief to zone fares; (4) transit managements would do well to start now to make necessary surveys looking toward a reasonable, equitable, and adequate fare zoning; (5) where fare zoning is needed to solve the revenue problem, coöperation from regulatory authorities and approval on the part of the general public can be obtained by well-presented demonstrations of the factors involved.

Civil Defense Begins at Home

A description of steps being taken in one state to cope with the threat of wartime disruption to community life, including utility service.

By C. E. WRIGHT*

NEXT to human lives, the quadruplet services—power, water, communications, and transportation—take first place in the plans of civil defense authorities throughout the country for protection against enemy attacks or sabotage in the event of war. All industrial property, and particularly that used for defense preparations, is vital, but without the utility services not even the plants engaged in strategic work will be able to operate; hence the importance that is attached to adequate preparations against damage to these utilities and the quick repair of such damage if it occurs.

While all the states of the Union have organized or are organizing civil defense preparations under the broad program laid down sometime ago by the National Security Resources Board, this report has to do with the setup in Florida; not that Florida is of major importance industrially, but because its 2,000 miles of shore line and its peninsular position, sticking out like a thumb into the Atlantic ocean and the Gulf of Mexico, make it especially vulnerable to enemy attack. Moreover, Florida was one of the first states to inaugurate its civil defense program, which got under way long before the Korean war brought its increased threat of Communist aggression against the United States.

ON November 21, 1949, Governor Fuller Warren of Florida initiated action to prepare for the civil defense of the state. He enlisted the aid of Major General Mark H. Lance, Adjutant General of the Florida National Guard, and Colonel R. G. Howie, then commanding officer of the Florida Military District of the United States Army, to confer on a plan. The proposed plan was submitted to the governor on February 14, 1950, and on April 4, 1950, the State Civil Defense Council was reactivated under a 1941 statute.

*For personal note, see "Pages with the Editors."

CIVIL DEFENSE BEGINS AT HOME

On July 1, 1950, the Florida civil defense program started to function under the directorship of Colonel Howie, who retired from the Army to take over these duties. As the state legislature meets only biennially, there were no funds immediately available for the work to be done, so state departments chipped in various amounts from their funds to get going.

The state was divided into five regions—the Jacksonville area, with 16 counties; the Tampa region, 14 counties; the Tallahassee region, 16 counties; the Miami region, nine counties; and the Orlando region, 12 counties. A regional director was appointed for each area, with general headquarters for the state located in Jacksonville. The coöperating state agencies are the department of safety, the state road department, the state health department, the military department, the welfare board, industrial commission, and the railroad and utilities commission.

The boundaries of the five regions correspond to those of the state road department, which was thought to be of advantage in case of emergencies.

Under each regional director are county and municipal agencies, all of which have been charged with the duty of organizing their own localities. During November and December, Colonel Howie held meetings in the largest city in each region, at which he outlined the procedures to be followed. At these conferences 48 of the 67 counties in the state were represented by a total of 519 persons. While some complacency, and even apathy, has been encountered, particularly in interior areas, on the probable theory that "it can't happen here," the response otherwise from all groups has been wholeheartedly coöperative.

Questions have arisen as to the legal authority for some of the measures which the State Civil Defense Council and its directors will be obliged to take in order to obtain complete compliance, and as broader powers will be needed than the 1941 Florida statute provided, this statute will be amended at the 1951 session of the legislature convening in April. A clause of the new bill gives the governor authority "to make such studies and surveys of the industries, resources, and facilities in this state as may be necessary to ascertain the capabilities of the state for civil defense and to plan for the most efficient emergency use thereof."

While nowadays public apprehension is largely centered on atomic bomb attacks, the Florida group has been pointing out that the atom bomb is not the only potential threat. Conventional ground, air, and sea attacks and biological and chemical warfare must also be considered.

In the event of war, Russia's supposedly meager supply of atom bombs might be conserved for areas of more military importance, but Colonel Howie has told his audiences that guided missiles have been materially improved and can be launched in many ways and used at enormous ranges, and that rockets, armor-piercing projectiles, proximity fuses, recoilless hand-operated weapons, and biological agents and gases have reached such a stage of efficiency as

The Big Four in Utility Defense

"NEXT to human lives, the quadruplet services—power, water, communications, and transportation—take first place in the plans of civil defense authorities throughout the country for protection against enemy attacks or sabotage in the event of war. All industrial property, and particularly that used for defense preparations, is vital, but without the utility services not even the plants engaged in strategic work will be able to operate . . ."

to be possible carriers of much damage.

"While we use the atomic bomb in our training and exercises," says Colonel Howie, "it is done because it is the most destructive weapon known and not because we are ignoring or minimizing other possible forms of attack."

One of the possible forms of attack for an area with Florida's long, exposed coast line is considered to be Russia's huge submarine fleet, which may contain as many as 1,000 ships by the end of 1951, according to the most reliable reports obtainable from that country of mystery.

"We must also recognize," says Colonel Howie, "that an attack can come from within. That is and continues to be a serious and constant threat. We have the constant possibility of sabotage, the destruction of a vital bridge, the poisoning of cattle, the contamination of water, and many other subversive acts." It is remembered that a German submarine landed a party of four saboteurs at Ponte Vedra Beach, below Jacksonville, headed by Lieutenant Walter Jaffe, who had spent twelve years in the United States and had assisted in the formation of the German-American Bund. All spoke English and were acquainted with American ways. They were later captured and executed. The coast of Florida was also the scene of some intensive submarine warfare on merchant ships. A deserted stretch near Cape Canaveral, above Cocoa, became a haven for German subs, which sunk many ships before an adequate antisubmarine campaign was perfected. There are many stretches of almost deserted beaches along Florida's shores, and regardless of what steps

the government service branches take to guard them, the state civil defense organization will have spotting stations every eight miles.

All of the possible forms of attack have been stressed by the defense authorities to impress upon vital industries (particularly utilities) the need for the utmost vigilance against damage and the corresponding need for well-trained and coördinated repair crews in the event that they are required to perform speedy acts of reconstruction.

Instructions have been issued to all vital industries, with special emphasis on electric and water plants, transportation, and communications. Each one will be required to furnish an inventory of all establishments in critical areas. The state director wants to know what each one has, where it is, and what is available for aid, and what additional facilities, such as stand-by equipment, are needed to prepare for any emergency. All of these industries also have been instructed in the training of their organizations and the carrying out of test exercises so that every man will know what he is supposed to do in an emergency.

In the vital utilities, the field of communication is given first ranking in the Florida preparations, as possibly it is elsewhere, because if there were devastation in any area, the telephone, telegraph, and radio would be the first resort in summoning aid. The Southern Bell Telephone & Telegraph Company, which has had considerable experience in coping with the damage done by hurricanes in Florida, is not only organizing its own crews for such an emergency as a bombing attack might create, but is also assisting the small independent companies in the state in the building up of an over-all system that can spring into action whenever the need should arise.

But the defense authorities are not placing sole reliance on the telephone. If the telephone service should be disrupted, the intercommunicating radio systems of the police and fire departments will be used, and beyond that the amateur radio operators of the state will be organized. Walkie-talkie radio sets will also be provided as an added precautionary measure.

Surveys are being made in each area to determine the amount and scope of present communications facilities and to provide for supplementary stand-by facilities to be used in an emergency. Each community will have a communications division, headed by a director, who will have ready a complete plan of operations that can be put into effect immediately should occasion require.

One of the most important features of the communications program is to establish a channel with the water pumping and supply stations so that control of water facilities can be insured, so far as possible, during and following an air raid. Field telephones will be established as one means to this end. The Civil Air Patrol Unit stationed in each community will also be alerted to keep guard over this all-important service. As a last resort, messengers traveling either by foot or by automobile will be used.

An engineering corps, consisting of skilled workers in various fields, has been organized to coördinate the general civil defense plans with those

in the various individual plants.

"Likely points of attack in the event of enemy action," says an instruction sheet on this subject, "will include vital industrial plants, water supply systems, railroads, bridges, gas, electric power, and communications plants as well as other facilities."

As part of a mobile battalion, there will be, for example, an installation and repair service, which will include teams with special knowledge of utilities, water supply, and heavy construction.

WATER supply is acknowledged to be one of the most vital factors in the event of an attack. Provisions for protection include guarding against chemical contamination, or other pollution, creation of an alternate supply system to be ready for use in case the main system is put out of commission, and the acquiring of stand-by equipment that can quickly be pressed into service if regular equipment fails. A no less important provision is that crews be organized so that valves can be shut off at once should all available water be needed for fire fighting. There will be a listing of all private water systems and swimming pools that could be used in an emergency. The inventory will also include water and milk tank trucks which could be used for transporting water. Sewage facilities are being surveyed along with the water supply survey.

Electric power plants have been particularly cautioned to provide stand-by equipment for use in an emergency. There are five private power companies supplying electricity to Florida consumers, also nearly 30 municipal electric departments, and 15 REA coöperatives. Only a few of the municipals and coöperatives generate their own power; hence, the major job of protecting Florida's power supply falls on the private companies. Florida is much more largely dependent on electricity than on gas.

Auxiliary equipment which can be rushed into quick action if need be is stressed as a "must." Gasoline filling stations will be urged to supply themselves with hand pumps so that the electrically operated pumps will not be out of commission, as automobiles will be an important factor in any rescue or rehabilitation work in a stricken area. Florida gasoline stations, however, have had experience in this sort of thing because of the power failures that are caused by severe storms.

THE importance of battery-operated equipment in an emergency is illustrated by an incident which might have had fatal consequences during a power failure in Jacksonville some months ago. To save a patient's life, the use of a pulmotor was required in one of the hospitals. The batteries that were immediately available were not strong enough to operate the pump, which had to be operated by hand until other equipment could be found.

The importance of electricity in the preservation of perishable foods is also being stressed in Florida. During prolonged power failures, which sometimes have lasted for days, food stores have used dry ice, but if the supply of dry ice also failed, the situation would prove serious until supplies were brought from other areas.

CIVIL DEFENSE BEGINS AT HOME

Electric power companies, recognizing the importance of being fully prepared for any emergency, are organizing their employees and their facilities for any contingency. For example, in Jacksonville, which is bisected by the wide St. Johns river, destruction of the two bridges which carry all traffic from one side of the city to the other would create a problem, provided also that the underwater cable was also destroyed. To provide for even such an extreme situation as this, the Jacksonville Electric Department will have barges which could be used to transport auxiliary equipment over the river.

Test exercises to try out all means of overcoming the effects of air raids or other war devastation will be carried out during the coming months by the director of civil defense so that every man, woman, and child, and the vital utility industries in particular, will know just what to do if war should strike this continent.

The Blessing of Electricity

"THE achievements of the masters of the science of electricity have increased the length of our days and years of life and the 'blessings of life' and in making life more abundant for all people. Electricity has brought advances of great consequence in the treatment of disease and bodily ills, and further progress is looked for in the not too distant future. Emancipation through modern electric conveniences from the slavery of toil and drudgery in the everyday household, that took much of the time and joy out of life in former years, has given a new and encouraging meaning to our present-day civilization. Some of the electric controls in common use are almost of human intelligence in their action. Electric conveniences have clearly tended toward the moral and spiritual uplifting of the human race by creating cheer and giving more time and opportunity for accomplishment of good.

"The hope and prayer has been expressed, which seems to be the most that can be done at present, that the unspeakable horrors of destruction the efforts of genius have put in the hands of men, will in course of the near future operate to prevent nations from attacking one another. The fear of revengeful retaliation in kind, that all countries are physically exposed to, and cannot escape, is the hope that will cause the atom bomb, and similar means of desolation, to be a blessing, by ending war for all time."

—A. C. WEBBER,
Former chairman, Massachusetts Department of Public Utilities.

Thoughts on Depreciation Accounting

"Depreciation," derived from Latin words meaning loss of value or price ("pretium"), has provided perhaps the most stubborn area of controversy, both theoretical and practical, in the entire field of public utility regulation. These two well-known authorities review here various facets of the problem and venture suggestions for sound conception and logical accounting approach.

By J. RHOADS FOSTER and BERNARD S. RODEY, JR.*

THE principal special purpose meanings of "depreciation" may be indicated by the illustration of a man who bought a new home in 1938 for $12,000. He rented it to a tenant and in reporting to the government his taxable income from the property he took an annual depreciation allowance of $250, calculated on a straight-line basis, for the $10,000 investment in the house with an estimated 40-year life, excluding $2,000 for the lot on which no depreciation was taken.

After ten years, in 1948, the owner sold the property for $19,000. The purchaser arrived at his $19,000 offer by estimating the cost of buying a similar lot at $3,000 and the cost of building a comparable house in 1948 at $22,000, or a replacement cost of $25,000. From this estimated replacement cost of $22,000 for the house he deducted $6,000 as "depreciation." The $6,000 included $2,000 because of the impaired physical condition of the house and $4,000 because of less modern design and the shorter life expectancy of a 10-year-old house.

In this situation, both depreciation and appreciation were experienced during the 10-year period. The excess of appreciation over depreciation was $7,000, so that in the *primary* sense of the term there was no net depreciation.

Appreciation

THE net appreciation of $7,000, experienced in this illustration, reflects the fact that the general price

level approximately doubled over the period from 1938 to 1948. Appreciation is an *increase* in the present worth of an asset from any cause, including a decline in the value of money, a decline in the cost of money—*i.e.*, the interest rate—an increase in the cost of replacing the given asset, an increase in the demand for the services available from use of the asset, or any increase in its comparative productivity. Property which has depreciated may, therefore, appreciate with changed conditions. Appreciation equal only to the depreciation of money is no *real* offset to depreciation in the sense of a decline in the comparative productivity. There is no *real* appreciation over a period of time unless the dollar increase in value is in excess of the shrinkage in the size of the dollar, just as there is no *real* depreciation over a period of falling prices unless the decline in dollar value is in excess of the increase in the size of the dollar unit of measurement.

Actual Depreciation

PRICE level changes and changes in cost of replacement are often *by definition* excluded as bases of depreciation in special purpose meanings, even though it is obvious that the cost of replacement of the same or a substitute unit of property influences the economic life of the unit in use and thus its depreciation.

Thus, in the house illustration, when adjustment was made for the change in the size of the dollar unit of measurement, depreciation in fact, or "appraisal depreciation," did exist. The "appraisal depreciation" was $6,000, measured as the difference in value as of 1948 between the existing old asset and a hypothetical new asset taken as a standard of comparison. The undepreciated value is measured by the cost of the most economical new asset available for performing the service which the old asset is expected to perform. The depreciation is the *comparative* inferiority of the old asset; the measure of depreciation is the difference in value of the property in use and a new unit of property as of the same date. The appraiser has adjusted for the effect of price changes, since the existing old asset and the hypothetical new asset are composed in terms of the 1948 purchasing power dollar.[1]

In regulatory practice the cost of constructing the identical property at current prices (reproduction cost new) frequently has been used as the standard of comparison instead of an alternative property reflecting available technological improvements.

Cost Amortization

"DEPRECIATION" is thus an economic phenomenon which accountancy recognizes in the determination of periodic income and therefore for the development of accounting standards and practices. Since the cost convention is generally accepted in accounting (Chap 1), recognition of depreciation as an economic fact takes the form of cost amortization or assignment of the costs of fixed assets against the revenue of accounting periods (Chap 7).

The appropriately amortized cost or accounting provision for depreciation in the house illustration was $2,500. The cost to be amortized over the useful life of the asset was $10,000;

[1] *The Valuation of Property*, by James C. Bonbright, Vol. 1, 1937, pages 183-185.

amortization in equal annual amounts, with one-quarter of the estimated life elapsed, indicates the $2,500 requirement.

The replacement cost of a comparable house was $22,000. Amortization of the replacement cost is required if the purchasing power of the original investment is to be maintained unimpaired. If the amortization of this replacement cost had been in equal annual amounts, the amortized replacement cost would have been $5,500.

The amounts of "depreciation" to be reflected for each of the special purpose meanings therefore would be as follows:

Appraisal depreciation	$6,000
Impaired physical serviceableness	2,000
Appropriately amortized cost	2,500
Appropriately amortized replacement cost	5,500

It is obvious that these divergent amounts reflect the use of special purpose concepts and that they are not appropriately substitutive for each other.

Business Risk and Uncertainty

THREE general levels of risks and uncertainty exist as to the prospect of decline in the service value of productive assets. Each is or should be recognized, although in a different manner or form, in public utility accounting and rate making.[3]

The first general level of risks includes those, such as the probability of loss by fire, which are susceptible of calculation, quantitative measurement, or estimate. Risks at this level are economically provided for by insurance and are commonly insured.

The second level of risks and uncertainties includes those which may not be economically insurable, although the probability of loss may be estimated on the basis of past experience and informed judgment. Uncertainties of this order are provided for in public utility accounting by charges to depreciation expense, above the line.

The third level of risks and uncertainties arises from a host of known and unknown contingencies, events which are only possible or which may occur at an unpredictable time or uncertainties with unpredictable effects. This level of uncertainties includes those which arise from all the unpredictable improvements in the arts or technology of providing service, unpredictable changes in markets, and imposition of public requirements.

[3] See David A. Kosh, "Uncertainty and the Provision for Depreciation in the Public Utility Industries," *The Journal of Business* (University of Chicago), Vol. XVI, No. 4, October, 1943, page 209.

¶ "WHEN *casualties and obsolescence as causes of depreciation are so unforeseeable that there is no reasonable basis upon which accounting provision may be made for the contingent cost, they may be considered generally as elements of the general risk and uncertainty incident to carrying on the business. Compensation for such hazards is (or should be) provided by rate regulation in the allowance in the fair rate of return over and above pure interest and compensation for investment management.*"

Striking illustrations of the effects of unpredictable causes of depreciation may be found in the history of the railway, urban and interurban transit industries. Other utilities have not been and probably will not be exempt from similar experiences.

TWICE within a generation the progress of science has necessitated the entire reconstruction of the Third Avenue Railway—first, by installation of the cable system, and second by electrification, and that progress possibly will hereafter be repeated. The subsequent history of the Third Avenue and other urban railroads suggests that supersession and the scrap heap is an actual alternative to "entire reconstruction."

When casualties and obsolescence as causes of depreciation are so unforeseeable that there is no reasonable basis upon which accounting provision may be made for the contingent cost, they may be considered generally as elements of the general risk and uncertainty incident to carrying on the business. Compensation for such hazards is (or should be) provided by rate regulation in the allowance in the fair rate of return over and above pure interest and compensation for investment management. The depreciation reserve is not an investment insurance reserve.

Actual Depreciation

APPRAISAL depreciation, or "loss in service value," if not interpreted strictly in the light of the accounting purpose of the system of accounts definition, connotes the loss or decline in value of property in its particular use. Depreciation is an economic fact, the loss in value of the property of a going concern as compared with the value new of a plant capable of equal service. As applied to productive assets of a going concern, decline in value means a decline in the present worth, expressed in comparable monetary terms, of the expected future productivity of such assets. The services available from productive assets are reflected in either or both the production of revenue and the reduction or avoidance of expenses. Therefore, the measure of future productivity is the capacity for production of income—the difference between revenue and operating costs each being expressed in comparable dollars.

DEPRECIATION not expected to be restored by maintenance may result from both physical and functional causes, although functional causes often are relatively more important. As in the case of physical deterioration, depreciation from functional causes is normally accrued in some degree in an operating property, because avoidance of such depreciation by either excessive maintenance or accelerated retirements would be a waste of remaining utility of plant units retired and parts replaced.

The economical condition of newness of an operating property is determined by (1) the present economy of making or not making replacements of units and (2) the immediate or early prospect of advancement in the art or the design of the particular unit.

The present economy of retiring or not retiring a unit of plant in a given use is determined by comparison of:

(a) The greater periodic operating expenses and mounting maintenance

The Rate Base Need Not Correspond to Fair Value

"A CONCEPT of FAIR VALUE is necessary as a starting point in the process of rate regulation, if the long-term public interest is to be served, but the rate base need not correspond to that fair value. Rate base and rate of return may be merely parts of a formula designed to provide a prospective return, the capitalized value of which is fair and economically adequate to accomplish its intended purpose."

expenses of the old unit (not including further provision for depreciation), plus the return from an alternative use of the asset or available on its value as scrap; with

(b) A compensatory return on the cost of an available new unit capable of supplying the same service, plus its lower operating expenses and maintenance, including provision for depreciation.

WHEN the operating and maintenance expenses (excluding further depreciation provision) incident to an old unit plus the annual return on its value as scrap or in an alternative use are equal to or in excess of the operating and maintenance expenses (including provision for depreciation) plus a compensatory return on an available new unit, the old unit is fully depreciated and is economically replaceable in the given use.

It is obvious that the present economy of making or not making a replacement of plant is in part determined by the relative utilization of plant capacity. The time of economical retirement of plant tends to be postponed by either a decline in prospective utilization of the given capacity (with a consequent relative reduction in operating expenses) or by an increase in the cost of constructing or acquiring substitute productive facilities (with consequent higher annual costs of the new facilities).

The depreciation in fact accrued in property at any given time is not, in general, proportionate with either passage of time or amount of use.

THE effect of certain causes of physical deterioration may be substantially proportionate with use, while the effect of other such causes may be substantially proportionate with the passage of time. For example, the physical deterioration of a class of

poles worn out in service may tend to be proportionate with the passage of time.

Rot or insect attack, however, may not be present in the early years of life but may develop rapidly when once under way. Actual depreciation from these causes does not vary directly with units of service, since the physical causes of retirement of such a class of poles tend to be independent of the amount of service rendered.

Poles may be retired because of extensions of underground construction, widening of highways, civic improvements, a growth of load requiring the substitution of larger poles, etc.

The incidence of these functional causes of depreciation is not in proportion to either use or the passage of time.

Similarly, machines of obsolete design "lose service value" when more efficient and economical machines are designed, developed, and made commercially available. Distribution facilities may become inadequate in capacity with an increase in number of customers or when customers install additional utilization equipment. Overhead distribution lines "lose service value" when a public body of competent jurisdiction requires that they be replaced with underground construction. The incidence of these functional causes of depreciation is not characterized by any reliable relationship with either the passage of time or number of units of service supplied; depreciation from functional causes exists only at the time of and to the extent that the functional changes are in prospect.

Depreciation and Rate Regulation

Depreciation in the sense of loss of value or decline in capacity of plant to produce a return is the same for the properties of regulated and unregulated enterprises. The meaning of value and of loss of value is the same for managerial, investment, and general business purposes.

For the purpose, however, of determining returns which are fair and reasonable for regulated enterprises, "value" does not have the same meaning as for general managerial and investment purposes or in the case of unregulated enterprises. The value which is fair and reasonable as an "end product" of the process of rate regulation,[3] excludes those economic values which are unfair if they reflect the advantage of an existing monopoly in fact. A principal purpose of regulation is to deny to utilities opportunity to earn monopoly returns. The tests and measures of the *fair* value of utility property must be independent of the existing value of the property in its general economic sense, but should not be independent of the economic value of the properties of competitive enterprise whose productive uses are subject to corresponding risks and hazards.

For the purpose of rate regulation, therefore, the meaning of depreciation as an economic fact is limited by the definition of "value" so as to exclude that value which is unfair because inconsistent with the state's protection of the economic interests of the public. Depreciation is a loss or decline of value; value and depreciation are each subject to the same concept of fairness.

[3] Federal Power Commission *v.* Hope Nat. Gas Co. (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281.

A concept of *fair value* is necessary as a starting point in the process of rate regulation, if the long-term public interest is to be served, but the rate base need not correspond to that fair value. Rate base and rate of return may be merely parts of a formula designed to provide a prospective return, the capitalized value of which is fair and economically adequate to accomplish its intended purpose.

EVIDENCE of the rate base thus may reflect original cost of existing used and useful property, amounts prudently invested, historical cost, cost of reproduction, or some mixture of unlike and noncomparable dollars. Accrued depreciation, expressed in original cost dollars, generally of larger size, or in dollars of present-day value, may or may not be deducted from total cost in fixing such a rate base. It is the value of the end result which is the product of the rate base and rate of return in combination with each other, which is subject to the significant criteria and tests of reasonableness.

It is apparent, therefore, that the policies and practices of regulatory authorities may be specific causes of depreciation or appreciation in the values of the properties of regulated enterprises. Regulatory processes can cause utility properties to depreciate by limiting prospective returns to amounts inadequate to induce investment on reasonable terms or maintain the fair value of past investment. The contrary may be the result under other circumstances.

The Accounting Concept of Depreciation

FOR the purposes of traditional accounting, "depreciation" is defined in terms, not of value but of cost and in terms of past, experienced cost, not current cost. Depreciation accounting as such is not concerned directly with any aspect of the value of productive assets. It is primarily concerned with the assignment of the past costs of fixed assets against the revenue of each of future accounting periods for the purpose of determining a conventional periodic income.

This specialized meaning assumes a rate of progression of "depreciation" which is dictated by the choice of method of regular or systematic distribution of asset costs against the revenue of accounting periods. The amount of depreciation accrual reflected at any time is predetermined in substantial part by the method of amortization selected.

In accounting generally the cost thus distributable is cost to the accounting entity. The cost convention, generally accepted in accounting thus limits the meaning of "depreciation" to that of a word of art in accountancy. The cost convention requires that assets be recorded at the dollars of initial cost to the business entity and the amortizable

¶ "ACCOUNTANCY *as an art has distinct limitations as a means of identifying and recording economic cost. These limitations should be recognized in the interpretation and use of accounting results by managements, investors, and regulatory authorities.*"

costs are the dollars thus recorded, or which should be so recorded.

In public utility accounting, however, "depreciation" has been given an even more specialized meaning; *i.e.*, amortized cost to the person first devoting the property to a public service instead of cost to the enterprise.

Accounting Terminology

THE concept of asset costs amortized or charged against the revenue of accounting periods is far removed from the economic meaning of "decline in value" and is not readily inferable from this common usage. "Depreciation" is therefore for accounting purposes a term of art. A report of the American Institute of Accountants Committee on Terminology, in October, 1942, put it this way:

> It must be admitted that the use of the term in accounting is unsatisfactory, since it is applied in its normal sense to some assets, such as marketable securities, and in a specialized sense to others, such as fixed capital assets. Moreover, the specialized sense differs not only from the colloquial sense but also from the sense in which the term is used in engineering, and is far removed from the root meaning of the word itself. Therefore, if reluctance to accept temporary inconvenience in order to achieve permanent clarification stands in the way of the substitution of a more descriptive term, it may be said that the profession at least owes it to the public to define with reasonable precision and clarity the meaning of the word when used as a term of art in accounting.

Controversy and confusion would be reduced if accountancy was definitely and clearly to abandon the use of the economic term "depreciation," substitute the term "cost amortization" and thus avoid any implication that the results of conventional allocation of asset costs measure loss or decline of value.

THE earlier terminology was better adopted to accounting and regulatory purposes. To illustrate, the uniform system of accounts adopted by the New York commission in 1908 used the term *accrued amortization of capital* to characterize the reserve; in 1923, it was called *retirement reserve;* in 1934, *depreciation reserve;* and in 1940, *reserve for depreciation of electric plant.*

The term *retirement reserve,* used in the classification of accounts recommended by the National Association of Railroad and Utilities Commissioners in 1922, had been adopted in a definite attempt to avoid the economic connotations of "depreciation."[4]

It is unfortunate therefore that the term "depreciation" has now been uniformly imposed upon utility accounting by force of regulatory authority. Independently of regulated accounting the term probably is now too deeply embedded in accounting terminology to permit its abandonment. The acceptable alternative is a general and clear recognition of the distinctions between the special purpose meanings of "depreciation," so that the implications which result from substitution of one meaning for another may be avoided. Giving "amortized cost" the name of "depreciation" does not make it depreciation or a measure of depreciation in fact.

[4] "The Commissioners' Uniform Classification of Accounts," address by George C. Mathews, before the accounting section, National Electric Light Association, proceedings, 1922, page 265.

Maintenance of Capital

FROM the investor's point of view a principal purpose of accounting provision for depreciation is to maintain the integrity of the capital invested in the enterprise.[5] The investor expects not only an annual return on his investment but also that the enterprise through which he had invested will recover the principal amount of his investment over the period of productivity of the fixed assets to which it is committed.

A public utility has a legal obligation to supply service and its expenditures for plant must be made before operations may commence. The costs of constructing or acquiring plant are almost the first costs incurred in supplying service—an extreme example of "out-of-pocket" costs. Since almost without exception operating plant has a limited useful life, the plant costs must be recovered by charges against revenue if the enterprise is to maintain a favorable credit standing.

Systematic amortization during the useful life of the assets serves both the accounting purpose of assigning the periodic costs of operation and the purpose of maintaining the "integrity of the investment" within the enterprise. Obviously, the "cost" is not returned to the *investor as such* except upon liquidation, partial or total; it is the enterprise which recovers the cost of the asset retired. It is the management of the enterprise which is burdened with the responsibility of maintaining the integrity of the investment in so far as the law may permit it to do so.

The statement that the purpose of depreciation accrual is to maintain the "integrity of the investment" in the enterprise does not indicate, however, whether it is the purchasing power integrity of the investment which is to be maintained or merely the number of nominal dollars of investment.

IT sometimes is contended that depreciation expense is not provision for replacement, that property often is not replaced, and that the amortizable cost is the same regardless of whether there is intention or prospect of replacing the asset.[6]

Advocates of replacement cost as the basis of the accounting provision urge, however, that real capital maintenance should be the purpose of provision for depreciation.[7] Replacement cost of productive assets, or some other kind of cost which reflects changing price levels, sometimes has been provided for in the accounts of business corporations, although regulatory rules now generally preclude such accounting provision by public utilities to maintain the actual integrity of the investment.

It may be apparent that maintenance of the integrity of invested capital in terms of a number of dollars equal to the economic sacrifice originally made does not necessarily assume replacement in kind or by an asset of the same type. It assumes replacement by any assets (possibly cash) of equal pur-

[5] Lindheimer *v.* Illinois Bell Teleph. Co. (1934) 292 US 151, 78 L ed 1182, 3 PUR NS 337, 54 S Ct 658.

[6] Report of committee on depreciation, National Association of Railroad and Utilities Commissioners, 1943.

[7] Lewis H. Kimmel, *Depreciation Policy and Postwar Expansion*, The Brookings Institution, 1946, page 45. See Henry W. Sweeney, *Stabilized Accounting* (1936), and Fritz Schmidt, "The Basis of Depreciation Charges," *Harvard Business Review*, Vol. 8 (1930), page 257.

chasing power. The integrity of the investment is not maintained if an investment of 1,000,000 100-cent dollars is "returned" in the form of 1,000,000 50-cent dollars and the investor must provide 1,000,000 additional dollars to replace the retired property with a property of equal productive capacity.

Accountancy as an art has distinct limitations as a means of identifying and recording economic cost. These limitations should be recognized in the interpretation and use of accounting results by managements, investors, and regulatory authorities.

A disposition on the part of some regulatory authorities to misconstrue the relation of accountancy and regulation and to make regulation a slave to accounting limitations rather than to make accounting an effective aid to the economic purposes of regulation, has caused unfortunate confusion and an impairment of the larger social, economic purposes of regulation.

All who use reports of the financial results of operations should understand that real operating income is overstated if the provision for depreciation is insufficient to maintain the purchasing power of the investment and is understated if the provision is more than sufficient to care for needs.

The long life of public utility assets makes the problem of real capital maintenance more acute for public utilities than for industrial and commercial enterprises generally. The duration of the lag in adjustment of book cost to a new level of replacement cost and the amount of the difference between book cost and replacement cost are each significant. A given difference between book cost and replacement cost has a greater significance if productive assets are replaced on the average once in twenty years than if replaced on the average once each year.

The prospect that the general price level will continue to be substantially higher again presents for consideration the inherent economic validity of provision for depreciation on a basis adjusted for the change in the purchasing power of money. It may be necessary to accept the disadvantages of procedures which do not provide numerically precise and definite results, in order to (a) reflect more realistically the present cost of the service, (b) avoid the uneconomic subsidizing of present service by past costs, and (c) avoid a more substantial repricing of these services when existing plant is replaced.

"There is considerable talk about Capitalism and keeping our freedom. It is important, therefore, that people understand business and its operations, and know something about the people who operate the industries, and also about the union leaders. The best means of bringing this knowledge to the people is the newspaper. . . .

"It would let the people know what makes the leaders and the people in these fields tick."

—Harry Montgomery,
General business editor,
The Associated Press.

Washington and the Utilities

The Phillips Case Again

WHETHER the Federal Power Commission will or will not change its mind again, about reopening the Phillips Petroleum Case, is causing quite a bit of speculation in regulatory circles. A number of Senators from the gas-consuming states, including Republican Senator Wiley of Wisconsin, have written to the FPC to reconsider its decision of last December to postpone "indefinitely" further hearings on the Phillips Case. On the other hand, a reopening of this case would be all that was needed to start the southwestern state Congressmen off on another campaign to pass a new version of the Kerr Bill, which was vetoed by President Truman after passage through the 81st Congress.

The FPC is thus caught in the middle on a ticklish proposition. When the FPC decided to shelve the Phillips Case "indefinitely" by a 3-to-1 decision last December, the action was generally viewed as a smart move to keep the rambunctious 82nd Congress from opening up the Kerr Bill issue again. The Kerr Bill would oust FPC from exercising any jurisdiction over independent gas producers and gatherers. The Phillips Case involved the question of whether the FPC wanted to go ahead with the exercise of such jurisdiction over independent producers.

The U. S. Supreme Court already has said that the FPC possesses such authority but the FPC so far has declined voluntarily to test the same in any major proceeding. The Phillips Case would probably result in such a test. The consumer state Senators, judging from Senator Wiley's letter which appeared in the *Congressional Record* of January 23rd, are complaining that the failure of the FPC to curb field prices for natural gas is costing the consumer money and will cost a lot more, while at the same time tying the hands of state regulatory authorities.

THE southwestern Congressmen, on the other hand, were just about getting fixed to spring a new version of the Kerr Bill without any help from the FPC. As stated before, if the Phillips Case breaks open again, temperatures will begin to rise under a Kerr Bill or some similar bill with a different name. Their side of the story is that new discovery and production already are being restrained by threat of Federal regulatory intervention. Furthermore, they point out that the recent decision of the U. S. Supreme Court (in the Kansas field gas case) gives the states permission to fix *minimum* gas prices, so that some of the states might now decide to boost the price of gas production or even cut down the supply altogether with severance taxes.

Better, they say, a little higher price for gas in the field, than no assurance of gas at all at the consumer end, some years hence—after all these new pipelines have been laid out and dedicated to public service from the rock-bound coast of Maine to the sun-kissed shores of the coastal tidelands. Some members from gas-producing states even think the President might be constrained to sign another Kerr Bill if Congress passes one in the light of this new situation. Nobody has yet suggested the gas Congressmen could override a veto. But there have been murmurings along that line, with the cautious observation, "We'll cross that bridge when we get to it."

Anyway it's figured, the FPC has a tough nut to crack in the Phillips Case. The vote of FPC Chairman Wallgren could be decisive, in view of the 3-to-1 decision to postpone the case last December when Commissioner Draper was absent.

In the foregoing discussion, it belatedly occurs that it might be *lese majesté* to imply that pressure, politically or otherwise, could have any effect whatsoever upon the swift completion of the appointed rounds of a quasi judicial regulatory tribunal, such as the FPC. But the notion prevails that it sometimes helps to have your Congressman on your side. For instance, 2-day hearings were held on January 18th and 19th to determine whether the construction of three dams by the Brazos River Conservation and Reclamation District would affect the interests of interstate or foreign commerce on the Brazos river in Texas. Senator Tom Connally (Democrat, Texas), chairman of the Senate Foreign Relations Committee, made an appearance and the commission reportedly heard from other Texans, notably Speaker Sam Rayburn.

The usual fussing around with an examiner's opinion was dispensed with and the decision was handed down on January 25th—a record time of six days—little more than a year after the case was filed in January, 1950. The Texas district was relieved of the necessity for obtaining an FPC license (Buchanan dissenting). It could be, of course, the issues, or something, were more clearly delineated in this Brazos case.

FPC Approves Roanoke License

Despite the fine needle work in the foregoing paragraph, the FPC record over the past fortnight shows an outstanding example of a regulatory agency standing up to some pretty forthright arguments presented by Washington's revered VIPs. This was seen in the unanimous (5-to-0) action taken by the commission on January 26th approving its examiner's report recommending a license for the Virginia Electric & Power Company to develop the Roanoke Rapids site on the Roanoke river.

The commission upheld Examiner Hampton's recommendation after a spirited and somewhat protracted argument by Interior Department attorneys, who contended that the FPC has no business letting a private power company get ahold of a hydro license in this area unless the Secretary of Interior approves the same.

In a somewhat parallel case which still remained in abeyance at this writing, Secretary of Interior Chapman himself appeared in the unusual rôle of advocate before the commission to urge the refusal of a license to the Pacific Gas and Electric Company to develop the Kings river in California.

The Roanoke decision is especially interesting in view of the somewhat strong position taken by FPC Chief Examiner Hampton in his original opinion favoring the private company's application.

Hampton himself was strongly urged to change his mind in a rehearing proceeding late last year. But he ruled that his original decision of March, 1950, "needs no modification." The question now is whether Interior will take the matter to court. This would precipitate open litigation between the government bureaus in violation of President Truman's policy of settling all such differences at the administrative level.

But the stakes are very tempting. If Interior should default on further testing the question, its claim for top control of hydroelectric license authority in the United States would fall under the shadow of paramount FPC jurisdiction. Interior Attorney Henkin felt so strongly about Interior's claims to superior authority in these premises that he for one would probably be glad to take the matter up to the U. S. Supreme Court. But other regulatory counsel at the Interior Department may have other ideas, after weighing the pros and cons.

FPC Examiner Hampton agreed with the Virginia utility's argument that it was entitled to a license, in the absence of definite contrary plans or congressional authority for the Interior Department. He pointed out that the company is "an experienced and successful private utility . . . ready, willing, and able to proceed under Federal license and regulation with the development and utilization of idle and wasting natural resources at Roanoke Rapids without aid of the Federal Treasury and substantially in harmony with the Army's comprehensive plan (as outlined to Congress in 1944)." Interior Department attorneys had maintained that operation of the Roanoke Rapids site by a private utility would interfere with future "comprehensive development" of the river basin.

The Kings river case, which also had to be battled through extensive rehearing proceedings, involved circumstances so similar that it is difficult to see how any vital distinction can be made between them. The Kings river case involves the proposed issuance of a hydro license to the Pacific Gas and Electric Company over the opposition of Interior Department which claims that it would conflict with its Central valley development. One technical distinction lies in the respective rôles of Interior in the two cases. In the Roanoke case, Interior seeks to preëmpt the hydro site as marketing agent for the Army Engineers' development. In the Kings river case, Interior's own Reclamation Bureau is claiming conflicting development plans.

Separate Gas Controls?

DEFENSE Production Administrator Harrison is reported to have under consideration a request to form a separate branch for the handling of priorities, allocations, and other controls for the natural gas and gas pipeline industries. The request stems from the expected decision of Interior Secretary Chapman to keep the present joint administration of both oil and gas controls within Interior's Petroleum Administration for Defense.

A meeting was held before Chapman early in January at which gas industry representatives presented the Secretary with a resolution favoring a separate gas control branch, as distinguished from the oil branch. Chapman said he would decide the matter after the meeting of the National Petroleum Council, scheduled for the end of January.

Steel for pipelines is the principal worry of the gas industry. The same can be said for the petroleum industry. Both industries must get their allocations of steel from the same source, which is presently the National Production Administration. But the actual decision is probably up to Administrator Harrison, now that an issue has been raised. The Petroleum Administrator for Defense had requested more than 11,000,000 tons of steel for both gas and oil, with an immediate allocation of 2,000,000 tons. But NPA officials were last reported to be sharpening their pencils for scaling down this request, especially in the matter of fabricated equipment.

With the decision over joint or separate controls still up in the air, or at least not solved to the satisfaction of both industries, the completion of control machinery under Chapman was being hampered. One of the things temporarily held up was the long-awaited order limiting the octane rating on gasoline for civilian usage.

Rate Change Notices Needed?

WHILE public utility rates are exempt from price fixing by the Economic Stabilization Agency, the utilities are still in the ESA picture to some degree. For example, ESA Administrator Johnston has set up a division of transportation, public utilities, fuel, service, imports, and exports under Richard L. Bowditch of Boston.

The division will receive advance notices on utility rate increases for which thirty days' advance notice is required under the statute. This would seem only to include changes in rates for utility service sold for resale to the public.

Exchange Calls And Gossip

NARUC Ties into a Busy Line

WILL the FCC again cut interstate long-distance telephone rates of the Bell system, following a "conference"? Or will there be a real showdown on the question of whether Bell system earnings on interstate business (allegedly in the order of 7.3 per cent) may be only part of the story—the other part being much more modest earnings on intrastate and local exchange business? Then, too, there is the matter of adjustment for Federal income tax (47 per cent) which would even cut the FCC's estimate of Bell interstate earnings considerably below 7 per cent.

The "scene stealer" in the regulatory drama scheduled for April 16th, starring the Federal Communications Commission and the American Telephone and Telegraph Company (AT&T) and affiliated operating companies, may turn out to be a supporting player in the rôle of the state regulatory commissions. The National Association of Railroad and Utilities Commissioners has been waiting for an opportunity to air its views on one of the peskiest problems confronting the state commissions these days. That is the wide disparity between interstate and intrastate telephone toll charges in the face of constant intrastate rate increase requests.

UP until now the NARUC has more or less confined itself to broad recommendations on the subject through its conventions, telephone regulatory commissioners' committee, and unofficial contact with the FCC. The AT&T hearing may put the FCC on the spot to actually do something about equalizing the rates rather than going ahead and reducing the AT&T Long Lines tolls and thereby ignore the serious collateral problems of the state commissions. Jurisdictional difficulties may prevent a direct approach to the problem by the FCC but it may at least take official notice of the difficulties and indicate a willingness to entertain suggestions of any remedy which might be proposed by the state commissions and the telephone company.

The NARUC has been trying for some time through its telephone regulatory commissioners' committee to formulate a revision of telephone separation method. These new procedures are designed to relieve the present disparity between these interstate and intrastate rates. At the NARUC convention in Phoenix last November, the state commissioners solicited the coöperation of the FCC in a joint study of this proposed revision. Some estimates of the disparity in the rates have been approximately $125,000,000.

As for the present show-cause order of the FCC requesting that AT&T file reasons with the commission prior to March 23rd as to why interim rate reductions should not be ordered—it has been reported that FCC has had this action in mind since early in 1950. At that time, the commission was asking AT&T for a reduction of $50,000,000. It was only firm intervention on the part of the NARUC, pointing out that any such procedure might be detrimental to coöperative discussions of the disparity problem (then going on) that held off any earlier action on the part of FCC.

AT the Phoenix convention NARUC adopted a resolution urging that the FCC adopt, on a trial basis, a proposal to transfer from state toll to interstate

toll an additional $200,000,000 of toll line plant investment and an additional $20,000,000 of associated expense in an effort to reduce the disparity between state toll and interstate toll costs. A consideration of this proposal by the FCC in April, or some acceptable compromise along the same lines, could well be within the province of the commission. In view of all these factors, it appears that the commission may pause before it considers the case solely on Long Lines principles. Some state commissioners will act as "coöperative commissioners" (with the FCC), to be selected by the head of the NARUC. A copy of the order was served upon the state commissions, the governors of Iowa and Texas, the NARUC, and the United States Independent Telephone Association (USITA). It is also reported that the NARUC has been invited to designate a committee of coöperating state commissioners to sit with the FCC at the hearings. This procedure is authorized by § 410 of the Communications Act of 1934.

The McFarland Bill

At this writing there is a fair chance that the so-called McFarland Bill (S 658), an amendment to the Communications Act of 1934 (amending organizational, procedural, and appellate sections), will receive early approval by the Senate. The Senate Interstate and Foreign Commerce Committee recently cleared the bill for floor action by reporting it out of committee without amendment. With a light calendar of bills facing the Senate in these early days it is quite possible that the bill will receive prompt consideration.

Contrasted with the last session of Congress when Senator McFarland (Democrat, Arizona), the bill's author, was just another member of the Senate, we now find the Arizonan in the strong position of Senate Majority Leader. As far as the bill's progress in the Senate is concerned, it may either receive early consideration through its author's influence or it may take its place alongside the average bill, with the Majority Leader choosing to remain neutral on the matter—fairly early consideration still being possible because of the light calendar at this time.

Once past the Senate, however, it may fare better in the House than it did during the 81st Congress. After relatively prompt passage in the last session the bill went to the House where it was consigned to the House Interstate and Foreign Commerce Committee for a lingering demise.

As an example of its treatment in committee, at one point during the session a communication trade publication carried a cartoon depicting Senator McFarland on the telephone talking to Congressman Sadowski (Democrat, Michigan), chairman of the subcommittee handling the bill. His conversation went something like this: "No, Mr. Sadowski, 1973 is the number of the bill, not the year I want it passed."

The House committee never did get around to holding hearings on the measure. It is understood that the bill was discussed generally by the committee but because of its "comprehensive" nature it was considered desirable to hold hearings if at all possible.

The question is now raised: What will be the bill's fate at the present session? So far, the House Interstate and Foreign Commerce Committee has not appointed any subcommittees and it is reported that the committee may operate without any. This, of course, would leave the matter up to the full committee which conceivably may be more readily disposed to act on the measure. Furthermore, on the House side, the prestige of McFarland's present position as Senate Majority Leader may be brought effectively into play. Log-rolling agreements on other legislation may necessitate prompt action by the House committee during this session.

Effect of the McFarland Bill

The committee report points out that the bill does not deal with any changes in policy affecting those indus-

tries subject to commission jurisdiction. Studies on policy matters are still being pursued by the subcommittee.

The committee makes particular reference to subsection (b) of the bill, which in the committee's opinion is "one of the most important of the entire bill." The subsection would reorganize the commission into a "functional" organization. The report refers to the present make-up of the commission, having three principal bureaus—engineering, accounting, and legal.

Regardless of the type of case involved, each of these three bureaus must independently, or occasionally in consultation, pass upon applications or other types of cases. The committee intimates that this present procedure is responsible for the slow processing of cases—rarely in less than two years and some in as many as four to seven years. "Citizens and taxpayers are entitled to greater consideration and better service from their government than this," says the committee. The report goes on:

> Moreover, under this system, the three bureaus have become self-contained and independent little kingdoms, each jealously guarding its own field of operations and able to exercise almost dictatorial control over the expedition of a case. They can, and have, set at naught the best efforts of individual commissioners to spur action.

The bill proposes that, within sixty days of the enactment of the measure, the commission organize itself into such integrated divisions as are necessary to handle the work load. Each division would have its own engineering, accounting, and legal staff which would operate as a "team" rather than as separate professional groups.

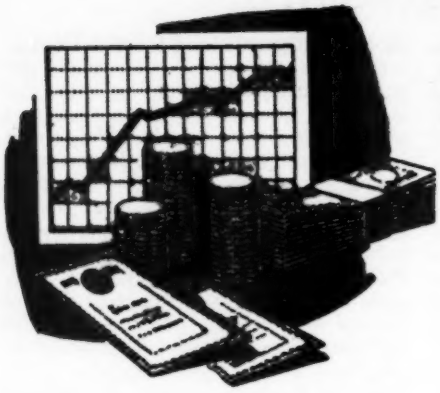
Control Unit for Telephones

LAST fall when the President, through Executive Order, divided up defense controls among the existing old-line government agencies such as Commerce, Interior, Agriculture, etc., specific authority was granted the Interior Department to set up control agencies for the power industry and the gas industry. The Interstate Commerce Commission was given authority to regulate the transit industry and the Commerce Department, the home of the National Production Authority (NPA), was to exercise necessary controls over the communications industry. For the time being, at least, the situation remains much the same despite a shake-up in the over-all defense control organization which put Charles E. Wilson in as czar of defense mobilization and William H. Harrison, NPA head, as production chief. A move to centralize all production controls is generally considered inevitable in the not too distant future.

With the possible exception of the National Production Authority, the organization of these control agencies and the output of specific regulations have been of necessity slow because of the tremendous problems involved. NPA was forced to act more quickly than the others with its material cut-back orders, which are so closely tied in with military exigencies.

The communications equipment division of NPA will be the trouble-shooting nerve center for the telephone industry. Brigadier General Calvert H. Arnold, USA (retired), is heading up the unit which is still in the throes of organization. A telephone industry advisory committee, presumably similar to those operating in the other industry control groups, will be named soon. This committee will probably be consulted on all contemplated orders affecting the telephone industry.

THE maintenance of adequate defense communication equipment supplies, and the impact of this requirement on existing telephone systems, appears to be the chief function of the group. Inasmuch as the unit is within the NPA organization, hardship material problems of the companies can be taken directly to the material sections of NPA—copper, aluminum, steel, etc. There will apparently be a close liaison between the material sections and the communication group on all of these telephone cases.



Financial News and Comment

By OWEN ELY

Ebasco Services' Comprehensive Analysis of 1950 Financing

Ebasco Services Incorporated recently issued its third annual "Analysis of Public Utility Financing," which now assumes the status of a regular publication and a valuable addition to the industry's records. The 55-page booklet, which gives detailed data for 1950 and tables and charts covering both 1949 and 1950, is available at a price of $15, and the subscription price, including 1951 quarterly supplements, is $25 per annum.

The 1950 analysis contains some 17 charts and a large number of tables, including lists of individual security offerings. One set of tables lists bonds, debentures, preferred and common stocks by groups, items in each group being arranged by months. (Bonds and debentures are also arranged by Moody ratings within the monthly setup.) These tables show description, amounts, and offering yields. The more detailed tables which follow are also arranged by months, but show considerably more data. Bonds and debentures are listed together in this table, while common stocks are split into two tables, direct sales, and subscriptions. Each offering is fully described as to date, character, size, etc. The offering and yield price to the public are stated and the underwriters' compensation (per share and as a per cent of the offering price) are given. Proceeds to the company are stated on a per share basis, together with estimated expenses, and the yield cost is given both before and after expenses. The table also indicates the purpose of the issue, whether it was placed by public or private sale or subscription, whether there was competitive or negotiated bidding, whether the issue carried a sinking or purchase fund, etc. Where there are special features of interest, as in the case of exchanges and subscription offerings, these are described in voluminous footnotes.

The accompanying table and charts summarize the Ebasco totals for various kinds of utility financing, as contained in the 1948, 1949, and 1950 annual publications.

Utility Construction and Finance Policies

The utility executive these days experiences unusual difficulties in fixing policies with respect to construction,

DEPARTMENT INDEX

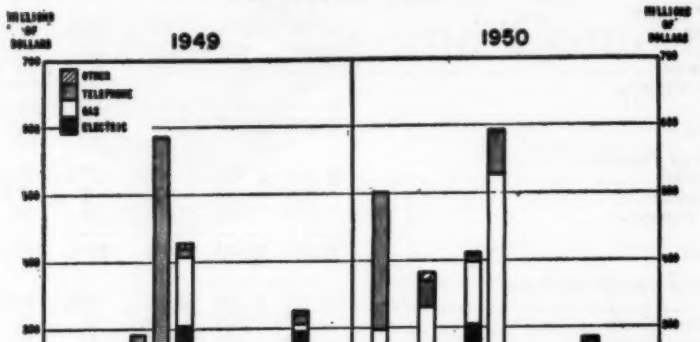
ANALYSIS OF UTILITY FINANCING 1948-50*

	Millions			Percentages		
	1950	*1949*	*1948*	*1950*	*1949*	*1948*
Type of Utility						
Electric	$1,810	$1,894	$1,499	56%	65%	49%
Gas	1,034	451	597	32	15	19
Telephone	373	536	969	11	19	31
Other Utilities	45	24	30	1	1	1
Total	$3,262	$2,905	$3,095	100%	100%	100%
Purpose of Financing						
Refunding	$ 868	$ 443	$ 211	27%	15%	7%
Divestments	156	199	60	5	7	2
New Money	2,238	2,263	2,824	68	78	91
Total	$3,262	$2,905	$3,095	100%	100%	100%
Analysis of New Money Issues						
Debt	$1,527	$1,598	$2,369	68%	70%	84%
Preferred Stock	327	243	184	15	11	7
Common Stock	384	422	271	17	19	9
Total	$2,238	$2,263	$2,824	100%	100%	100%
Type of Security and Method of Sale						
Debt—Public Sale	$1,601	$1,151	$1,889	69%	58%	74%
Subscription	—	410	132	—	21	5
Private Sale	706	421	544	31	21	21
Total	$2,307	$1,982	$2,565	100%	100%	100%
Preferred Stock—Public Sale	$ 348	$ 223	$ 166	84%	83%	90%
Subscription	21	36	14	5	13	8
Private Sale	45	11	4	11	4	2
Total	$ 414	$ 270	$ 184	100%	100%	100%
Common Stock—Public Sale	$ 202	$ 194	$ 98	37%	30%	28%
Subscription	339	460	247	63	70	72
Total	$ 541	$ 654	$ 345	100%	100%	100%
All Securities—Public Sale	$2,151	$1,568	$2,153	66%	54%	69%
Subscription	360	906	394	11	31	13
Private Sale	751	432	548	23	15	18
Total	$3,262	$2,906	$3,095	100%	100%	100%
Subscriptions—"Stand-by" Underwritings						
Underwritten	$ 191	$ 363	$ 171	53%	40%	44%
Not Underwritten	169	548	222	47	60	56
Total	$ 360	$ 911	$ 393	100%	100%	100%
Method of Bidding for Issues Underwritten						
Public Sales—Competitive	$1,681	$1,213	$1,942	78%	77%	90%
Negotiated	471	369	211	22	23	10
Total	$2,152	$1,582	$2,153	100%	100%	100%
Subscriptions—Competitive	$ 20	$ 91	$ 80	11%	25%	47%
Negotiated	171	272	91	89	75	53
Total	$ 191	$ 363	$ 171	100%	100%	100%

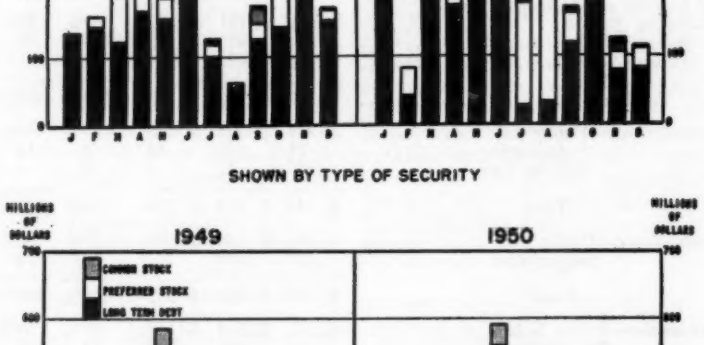
*Prepared from data compiled by Ebasco Services Incorporated.

TOTAL VALUE OF PUBLIC UTILITY SECURITY OFFERINGS

SHOWN BY TYPE OF UTILITY



SHOWN BY TYPE OF SECURITY



Courtesy, Ebasco Services Incorporated

financing, rates, and dividends—the introduction of material and labor shortages, priorities, defense production, etc., into an already involved picture makes the situation still more complicated. On the other hand, the new Federal controls over skyrocketing prices of metals and other scarce materials, as well as the limitations on wage increases, may help to restore order in projecting future construction costs.

An example of how the utilities may be affected by bureaucratic confusion at Washington was the recent Copper Restrictive Order M-12. The original order would apparently have permitted Long Island Lighting to make only 1,000 new electric meter hookups per month, which would have worked a great hardship on many prospective tenants waiting to move into virtually completed new homes in this rapidly growing area. The order has now been modified to increase the number to 2,500 a month, which may still prove difficult. Meanwhile, the principal builder on Long Island, William Levitt, in a press interview given first-page rating by *The New York Times,* has complained that Washington is prohibiting the use of copper materials already in builders' hands, and is demanding a showdown with Administrator Wilson.

THE major problem of the electric utility executive is to project the trend of kilowatt-hour sales over the next three to five years, assuming a continuation of the present defense economy. He must try to guess how many new industrial plants working on military production may locate in the area his company serves; if he can furnish very cheap power or there are other advantages in the area, these may be quite large. The continuing trend toward decentralization of industrial units must also be kept in mind. He must attempt to decide whether various inquiries regarding the availability of future blocks of industrial power for new plants are likely to materialize. This means a constant revision of the construction budget. He need not worry especially about additional shifts in existing industrial plants except as these may modify present peak loads.

The future increase in commercial and residential sales must also be projected. This must be corrected for curtailment of new residential construction—as in the instance above — except where defense housing may be needed. Potential shifts of population from one section of the country to another must be appraised. Housing will be necessary not only for new plants but in lesser degree to take care of additional shifts—though some of the latter may be handled through overtime work by existing workers.

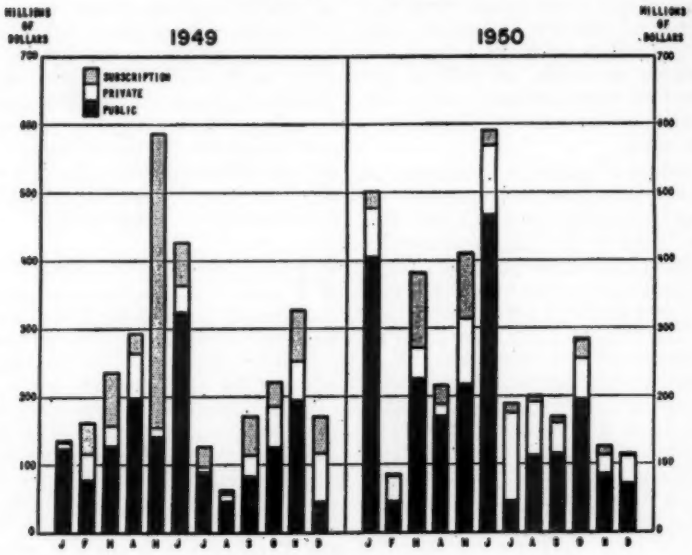
HAVING projected his future kilowatt-hour demands, he must also figure the trend of the peak load, both daily and seasonal. The next problem is how soon a power shortage will develop, and whether he can purchase some of the needed power. If he considers the defense program abnormal and temporary, he may prefer to buy some power. This in turn brings up questions of extending the range of the big power pools. There is an important question of this kind on the Pacific coast at present, where the Federal government has proposed to connect up California with the northwestern power pool. This would mean that the huge construction program of Pacific Gas and Electric could be used to alleviate the chronic power deficiency in the Northwest—which in turn may involve basic problems of collaboration between public power authorities and private utility executives — sometimes not easily settled when there has been previous friction.

Having settled the net power production requirements over the next few years as best he can, the utility executive and his staff must budget his construction costs, together with necessary transmission and distribution work. He must make some allowance for the scarcity of skilled construction labor and the possible necessity of paying overtime rates.

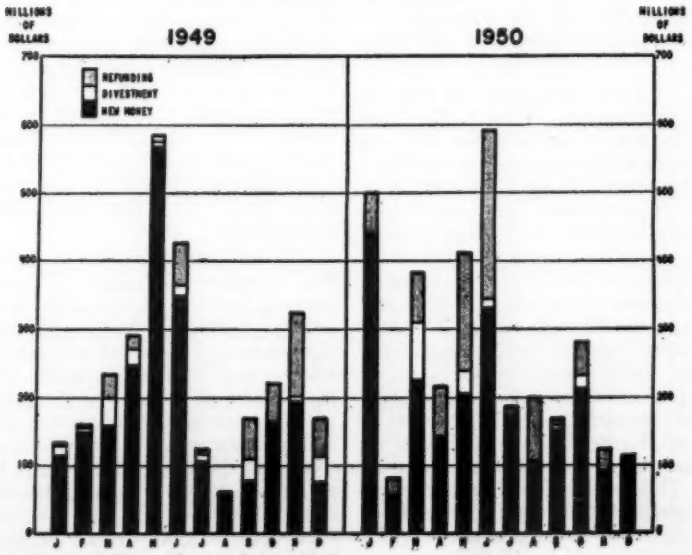
Having his construction costs budgeted for several years, he can then turn his attention to the cash flow statement for each year. This involves a projection of estimated earnings and the balance of

TOTAL VALUE OF PUBLIC UTILITY SECURITY OFFERINGS

SHOWN BY TYPE OF SALE



SHOWN BY PURPOSE OF SALE



Courtesy, Ebasco Services Incorporated

retained earnings after paying future dividends,[1] plus cash to be made available by depreciation and the various amortization items in the income statement, including "accelerated amortization" if available. Some allowance must be made for future storm damage, poor water conditions, or other variables, and nonrecurring factors.

THE executive is now ready, with his cash flow sheet in front of him, to estimate the amounts of "new money" which he will need over the next year or so. (This program need not be pushed so far ahead as the construction budget, since future commitments need not be made so far in advance as in ordering generating units.) He must also take into account his financial needs to meet maturities of short-term loans, etc.

The executive now knows, in theory at least, how much new money he will need and at about what time. The basic problem is now to decide what form his financing should take — whether to resort to temporary devices such as bank loans or convertible securities, or to maintain a definite policy with respect to capital ratios. If his common stock ratio is below 25 per cent (rarely the case) he will want to improve it. On the other hand, if he has a large stock equity such as 40-60 per cent he can "sit back" comfortably and do only debt financing, as some of the old-line companies have been doing.

THE first question is whether preëmptive bidding requires a subscription offering, or whether this is the best method in any event. Some companies such as American Telephone and Telegraph, Pacific Gas and Electric, and Southwestern Public Service follow a pretty definite policy year after year with equity financing; others vary the procedure with market conditions.

If the subscription method is used, should the offering price be fixed low enough to give stockholders really valuable rights, and thus insure (with the help of brokers' arbitrage operations) a heavy subscription? Will the stockholders be appreciative of this "break"—an extra dividend as it were—or will any good will thus generated be unimportant? On the other hand, is it better for *all* stockholders' interests (present and future) to get the best price available, through a competitive underwriting—which usually means a subscription price fairly close to the prevailing quotation? Should use be made of special devices such as oversubscriptions or offerings to employees in order to insure the success of the sale, and reduce the amount of stock to be taken up by the bankers?

Finally, can he time his offering so that (1) market conditions will be favorable, (2) a rate increase may be in the offing, (3) the earnings statement will look good, and (4) he can tell a favorable

[1] The question of dividend policy will be discussed in a subsequent issue.

CURRENT "YIELD YARDSTICKS"

		1950-1 Range		*1949 Range*	
	Recent	*High*	*Low*	*High*	*Low*
Municipal—Tax-exempt	1.59%	2.12%	1.59%	2.29%	2.12%
U. S. Long-term Bonds—Taxable	2.40	2.42	2.15	2.40	2.14
Utility Bonds—Aaa	2.65	2.69	2.55	2.77	2.56
—Aa	2.72	2.74	2.63	2.84	2.64
—A	2.83	2.87	2.75	3.02	2.77
—Baa	3.21	3.22	3.14	3.45	3.15
Utility Preferred Stocks—High-grade	3.79	3.82	3.70	4.02	3.80
—Medium-grade	4.22	4.25	4.13	4.57	4.19
Utility Common Stocks	6.01	6.43	5.31	6.26	5.58

Latest available Moody indexes are used for utility bonds and preferred stocks; Standard & Poor's indexes for government bonds and utility common stocks.

story at the Due Diligence meeting or in a talk before a group of utility analysts? Can the dividend rate be "upped" conveniently, before the offering is made? Will the *pro forma* earnings on the increased number of shares look favorable enough, particularly if adjusted for increased (and still to increase) Federal tax rates? Can the device of earnings on "average shares" be used successfully?

FINANCIAL DATA ON DIVIDEND-PAYING ELECTRIC UTILITY STOCKS

		1/23/51 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings*— Cur. Period	% Increase	Price-Earn. Ratio	Dividend Pay-out	Est. Incr. In Income Tax Per Share‡
Revenues $50,000,000 or over									
S	American Gas & Elec.	53	$3.00	5.7%	$4.81n	12%	11.0	62%	$ .46
B	Boston Edison	43	2.80	6.5	2.98s	D1	14.4	94	—
S	Central & South West	14	.90	6.4	1.46s	10	9.6	62	.18
S	Cincinnati G.&E.	33	1.80	5.5	2.97s	10	11.1	61	.34
S	Cleveland Elec. Illum.	46	2.40	5.2	3.33s	20	13.8	72	.32
S	Commonwealth Edison	28	1.60	5.7	2.07s	1	13.5	77	.23
S	Consol. Edison of N. Y.	31	2.00	6.5	2.36s	4	13.1	85	.32
S	Consol. Gas of Balt.	25	1.40	5.6	1.86s	34	13.4	75	.23
S	Consumers Power	33	2.00	6.1	2.58n	25	12.8	78	.31
S	Detroit Edison	23	1.20	5.2	2.21n	30	10.4	54	.16
C	Duke Power	88	4.75	5.4	7.87s	D4	11.2	60	.92
S	General Pub. Util.	18	1.20	6.7	2.29s	22	7.9	52	.20
S	Middle South Util.	18	1.20	6.7	1.88n	—	9.6	64	.25
S	New England Elec. System	12	.80	6.7	1.30d*	32	9.2	62	.12
S	Niagara Mohawk Power	22	1.40	6.4	1.96d	1	11.2	71	.24
S	North American	19	1.20	6.3	1.45s	3	13.1	83	.14
S	Northern States Power	10	.70	7.0	.96s	—	11.5	73	.10
S	Ohio Edison	32	2.00	6.3	3.05n	15	10.5	66	.35
S	Pacific G.&E.	33	2.00	6.1	†2.34s	34	14.1	85	—
S	Penn Power & Light	25	1.60	6.4	2.84n	37	8.8	56	.32
S	Philadelphia Elec.	27	1.50	5.6	2.22o	29	12.3	68	.27
S	Pub. Serv. E.&G.	23	1.60	7.0	2.06d	D8	11.2	78	—
S	So. Calif. Edison	34	2.00	5.9	2.61s	D6	13.0	77	.31
S	Southern Co.	12	.80	6.7	1.10d	D2	10.9	73	.16
O	Texas Utilities	25	1.28	5.1	2.39n	24	10.5	54	.23
S	Virginia Elec. & Power	21	1.20	5.7	1.85n	34	11.4	65	.16
S	West Penn Elec.	28	2.00	7.1	3.42n	6	8.2	58	.42
S	Wisconsin Elec. Power	20	1.20	6.0	1.86s	9	10.8	65	.25
	Averages			6.1%			11.4		
Revenues $25-$50,000,000									
S	Carolina P.&L.	31	$2.00	6.5%	$3.40n	18%	9.1	59%	$ .34
O	Central Ill. P.S.	16	1.20	7.5	1.53o	—	10.5	78	.19
O	Connecticut L.&P.	15	.90	6.0	.99n	6	15.2	91	.12
S	Dayton P.&L.	32	2.00	6.3	2.79s	19	11.5	72	—
S	Florida P.&L.	21	1.40	6.7	2.51s	27	8.4	48	.26
S	Gulf States Util.	22	1.20	5.5	1.87n	7	11.8	64	.15
S	Houston L.&P.	56	2.70	4.8	4.10n	10	13.7	66	—
S	Indianapolis P.&L.	30	1.80	6.0	3.32s	5	9.0	54	.33
S	Illinois Power	35	2.20	6.3	2.67n	D5	13.1	82	.32
S	Kansas City P.&L.	26	1.60	6.2	1.99n	D4	13.1	80	.24
S	Long Island Lighting	13	1.00Est.	7.7	1.25o	11	10.4	80	.12
S	Louisville G.&E.	31	1.80	5.8	3.04n	—	10.2	59	.40
O	New England G.&E.	15	1.00	6.7	1.45n	14	10.3	69	.17
O	New Orleans Pub. Ser.	39	2.25	5.8	2.79n	—	14.0	81	.49
S	N. Y. State E.&G.	28	1.70	6.1	2.30d	15	12.2	74	—
O	Northern Ind. P.S.	21	1.40	6.7	2.13n	16	9.9	66	.22
S	Oklahoma G.&E.	20	1.30	6.5	1.76s	11	11.4	74	.19
S	Potomac Elec. Power	14	.90	6.4	.85s	D14	16.5	106	.08
S	Pub. Serv. of Colo.	28	1.40	5.0	2.50s	5	11.2	56	.27

	(Continued)	1/23/51 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings* Cur. Period	% Increase	Price-Earn. Ratio	Dividend Pay-out	Est. Incr. In Income Tax Per Share #
S	Pub. Serv. of Ind.	29	1.80	6.2	2.49n	1	11.6	72	.24
O	Puget Sound P.&L.	17	.80	4.7	1.89n	20	9.0	42	.14
S	Rochester G.&E.	33	2.24	6.8	2.82s	24	11.7	79	.27
S	Toledo Edison	10	.70	7.0	.88s	—	11.4	80	.09
O	West Penn Power	33	2.00	6.1	2.13s	D12	15.5	85	.27
	Averages			6.2%			11.7		
	Revenues $10-$25,000,000								
S	Atlantic City Elec.	20	$1.20	6.0%	$1.63n	5%	12.3	74%	$ .18
C	California Elec. Pr.	8	.60	7.5	.76s	—	10.5	79	.08
O	Calif. Oregon Power	23	1.60	7.0	1.99n	D11	11.6	80	—
O	Central Ariz. L.&P.	13	.80	6.2	1.14n	3	11.4	70	.14
S	Central Hudson G.&E.	9½	.60	6.3	.73s	18	13.0	82	—
O	Central Ill. E.&G.	23	1.30	5.7	2.74s	25	8.4	47	.29
S	Central Ill. Light	34	2.20	6.5	2.98d	D1	11.4	74	.36
O	Central Maine Power	17	1.20	7.1	1.58n	3	10.8	76	.18
S	Columbus & S. Ohio Elec.	21	1.40	6.7	2.30s	D11	9.1	61	—
O	Connecticut Power	38	2.25	5.9	2.56s	28	14.8	88	.25
S	Delaware P.&L.	22	1.20	5.5	1.87s	15	11.8	64	.18
S	Florida Power Corp.	18	1.20	6.7	1.68s	13	10.7	71	.15
C	Hartford Elec. Light	48	2.75	5.7	2.93s	7	16.4	94	.24
S	Idaho Power	39	1.80	4.6	2.81s	6	13.9	61	.32
O	Interstate Power	8	.60	7.5	.86s	1	9.3	70	.08
O	Iowa Electric L.&P.	13	.90	6.9	1.25n	D13	10.4	72	.13
O	Iowa Pub. Serv.	20	1.20	6.0	2.01n	D8	10.0	60	.22
S	Iowa-Illinois G.&E.	28	1.80	6.4	2.58o	—	10.9	70	.24
S	Iowa Power & Light	23	1.40	6.1	1.85s	4	12.4	76	.21
O	Kansas Gas & Elec.	32	2.00	6.3	3.14n	11	10.2	64	.43
S	Kansas Power & Light	17	1.12	6.6	1.75s	11	9.7	64	.15
O	Kentucky Utilities	15	1.00	6.7	1.53s	3	9.8	65	.21
S	Minnesota P.&L.	31	2.20	7.1	3.23d	3	9.6	68	.51
S	Montana Power	22	1.40	6.4	2.67n	6	8.2	52	.27
C	Mountain States Power	34	2.50	7.4	4.02n	11	8.5	62	.39
O	Otter Tail Power	19	1.50	7.9	1.82n	—	10.4	82	.17
O	Pacific P.&L.	13¼	1.10	8.1	1.59n	104	8.5	69	—
O	Portland Gen. Elec.	26	1.80	6.9	2.75n	42	9.5	65	.21
O	Pub. Ser. of N. H.	23	1.80	7.8	1.89n	D1	12.2	95	.16
O	San Diego G.&E.	14	.80	5.7	1.21n	42	11.6	66	.13
S	Scranton Elec.	14	1.00	7.1	1.26d	12	11.1	79	.12
S	So. Carolina E.&G.	9	.60	6.7	.68n	D46	13.2	88	.06
O	Southwestern Pub. Ser.	15	1.12	7.5	1.26n	1	11.9	89	.08
C	Tampa Electric	36	2.40	6.7	3.37n	18	10.7	71	.28
O	United Illum.	44	2.40	5.5	2.69d	6	16.4	84	—
S	Utah Power & Light	28	1.80	6.4	2.75n	20	10.2	65	.20
O	Western Mass. Cos.	30	2.00	6.7	2.64d*	15	11.4	76	—
O	Wisconsin P.&L.	17	1.12	6.6	1.53s	20	11.1	73	.17
	Averages			6.6%			11.1		
	Revenues $5-$10,000,000								
O	Arkansas Missouri Power	13	$1.00	7.7%	$2.07s	16%	6.3	48%	—
O	Central Vermont P.S.	10	.76	7.6	.98n	34	10.2	78	—
C	Community Pub. Ser.	13	.90	6.9	1.30s	D4	10.0	69	—
O	El Paso Electric	34	2.00	5.9	3.39n	—	10.0	59	—
S	Empire Dist. Elec.	18	1.24	6.9	2.22s	31	8.1	56	—
O	Gulf Public Service	13	.80	6.2	1.32o	D3	9.8	61	—
O	Iowa Southern Util.	16	1.20	7.5	1.92n	D6	8.3	63	—
O	Lawrence G.&E.	37	2.85	7.7	2.92d*	21	12.7	98	—
O	Lynn G.&E.	32	2.00	6.3	1.94d*	D3	16.5	103	—
O	Madison Gas & Elec.	30	1.60	5.3	1.89d*	15	15.9	85	—

	(Continued)	1/23/51 Price About	Indicated Dividend Rate	Approx. Yield	–Share Earnings*– Cur. Period	% Increase	Price-Earn. Ratio	Dividend Pay-out	Est. Incr. In Income Tax Per Share‡
O	Northwestern P.S.	10	.80	8.0	1.30s	21	9.7	62	—
C	Penn Water & Power	38	2.00	5.3	2.12d*	D56	17.9	94	—
O	Pub. Ser. of N. Mex.	16	1.00	6.3	1.53s	D2	10.5	65	—
O	Rockland L.&P.	10	.60	6.0	.69s	8	14.5	87	—
S	St. Joseph Light & Power	22	1.50	6.8	1.93s	—	11.4	78	—
S	Southern Ind. G.&E.	21	1.50	7.1	2.13n	D2	9.9	70	—
O	Tide Water Power	8¼	.60	7.1	1.17n	17	7.3	51	—
O	Tucson Gas, E.L.&P.	21	1.40	6.7	2.16s	D8	9.7	62	—
O	Western Lt. & Tel.	25	2.00	8.0	2.01s	D14	12.4	100	—
	Averages			6.8%			11.1		
	Revenues under $5,000,000								
O	Arizona Edison	17	$1.20	7.1%	$1.88s	D20%	9.0	64%	—
O	Bangor Hydro Elec.	28	1.60	5.7	2.65d	6	10.6	60	—
O	Beverly G.&E.	44	2.75	6.3	3.16d	50	13.9	87	—
O	Black Hills P.&L.	17	1.28	7.5	2.07o	27	8.2	62	—
O	Calif. Pacific Util.	35	2.40	6.9	4.78n	59	7.3	50	—
O	Central Louisiana Elec.	30	1.80	6.0	3.58s	3	8.4	50	—
O	Citizens Utilities	15	.80&Stk.	5.3	1.95s	11	7.7	41	—
O	Colorado Central Power	29	1.80	6.2	2.68je	26	10.8	67	—
O	Concord Electric	35	2.40	6.9	2.57d*	18	13.6	93	—
O	Derby G.&E.	22	1.40	6.4	1.92d*	61	11.5	73	—
O	Eastern Kansas Utils.	12	.60	5.0	1.00ju	—	12.0	60	—
O	Fitchburg G.&E.	47	3.00	6.4	2.78d*	4	16.9	108	—
O	Frontier Power	4¼	.40	8.9	.84d*	D26	5.4	48	—
O	Haverhill Elec.	35	3.00	8.6	2.80d*	155	12.5	107	—
O	Lake Superior Dist. Pr.	24	1.80	7.5	3.78s	37	6.3	48	—
O	Lowell Elec. Lt.	45	3.55	7.9	3.35d*	42	13.4	101	—
C	Maine Public Service	13	1.00	7.7	1.68n	17	7.7	60	—
O	Michigan Gas & Elec.	23	1.60	7.0	2.13s	—	10.8	75	—
O	Missouri Edison	9	.70	7.8	1.46s	60	6.2	48	—
C	Missouri Public Ser.	40	2.60	6.5	4.40d*	12	9.1	55	—
O	Missouri Utilities	15	1.00	6.7	1.45s	D12	10.3	69	—
O	Newport Electric	27	1.80	6.7	2.81n	D7	9.6	64	—
O	Sierra Pacific Power	22	1.60	7.3	1.94n	5	11.3	82	—
O	Southern Colo. Pr.	10	.70	7.0	.86ag	D9	11.6	81	—
O	Southwestern El. Ser.	11	.80	7.3	1.38my	1	8.0	58	—
O	Upper Peninsula Power	14	1.20	8.6	1.51s	12	9.3	79	—
	Averages			7.0%			10.1		
	Averages, five groups			6.5%			11.1		
	Canadian Companies*								
C	Brazilian Trac. L.&P.	23	$2.00	8.7%	$3.85d*	4%	6.0	52%	—
C	Gatineau Power	19	1.20	6.3	1.43d*	13	12.8	84	—
C	Quebec Power	19	1.00	5.3	1.14d*	D6	16.7	88	—
C	Shawinigan Power	34	1.45	4.3	1.43d*	D9	23.8	84	—
C	Winnipeg Electric	39	1.50	3.8	2.53d*	40	15.4	59	—

d*—December, 1949. my—May, 1950. je—June, 1950. ju—July, 1950. ag—August, 1950. s—September, 1950. o—October, 1950. n—November, 1950. d—December, 1950. B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. Est.—Estimated. *All twelve months' earnings comparisons have been adjusted to reflect in both periods the present number of shares outstanding. If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. **While these stocks are listed on the Curb, Canadian prices are used. (Curb prices are affected by exchange rates, etc.) †Does not fully reflect $4,000,000 gas rate increase effective November 28, 1949, or electric rate increase of $8,800,000 granted in 1950. Earnings on *average* shares outstanding, $2.56; price-earnings ratio on this basis 12.9 and dividend pay-out 78 per cent. ‡See explanation in text.

What Others Think

Draper Career Measures FPC Progress

THE Federal Power Commission and its entire staff, together with numerous Washington dignitaries, gathered in Washington recently to pay tribute to the dean of the commission, Commissioner Claude L. Draper. The purpose of the occasion was twofold: Commissioner Draper was rounding out twenty years' service on the commission, and he was also celebrating his seventy-fifth birthday.

Among the many testimonials was one made on behalf of the staff of the commission by Charles W. Smith, widely known chief of the commission's bureau of accounts, finance, and rates.

Smith pointed to the veteran commissioner's long record in the field of public utility regulation, but singled out particularly Commissioner Draper's sponsorship of participation in certain Federal Power Commission cases between January, 1942, and September, 1943, "leading to what might be called the 'golden age' of public utility regulation in this country."

Smith contended that the regulation of public utility rates in this country fifteen or twenty years ago "like Prometheus," was helplessly chained to an immovable rock, that rock being a United States Supreme Court decision in 1898 in the case of Smyth *v.* Ames. He went on:

> Smyth *v.* Ames required public utility rates to be fixed on a base consisting of the fair value of public utility property. The determination of fair value was a vague, tedious, and unrealistic process which was so complex and uncertain that a rate case was often in process eight or ten years.

He continued that many critics condemned the fair value process as "unsound and unworkable, as speculative and fictitious, as irrational and illusory." But, according to Smith, the doctrine persisted.

Smith observed that, in this setting, the Hope Natural Gas Company rate case came before the Federal Power Commission, and Commissioner Draper was the supervising commissioner. He added that reaching its conclusion, the commission discussed fair value and forthrightly rejected it as unsound. The Supreme Court affirmed his decision.

The FPC staff member continued:

> That case severed the chains which shackled regulatory commissions. Regulatory Prometheus was unbound. In the language of a noted jurist, the ghost of Smyth-Ames was laid. It is interesting to note all Federal regulatory commissions and most state commissions today follow the decision in the Hope Case.

Smith then turned to Draper's interests in the field of utility cost accounting. He referred to the commission's action in 1936, prescribing a system of accounts which required that the accounts of all electric utilities subject to the commission had to be overhauled.

He noted that one of the first proceedings in this area, involving the Northwestern Electric Company and the FPC, resulted in the U. S. Supreme Court affirming the commission's decision.

Smith went on to observe that as a result of the Northwestern Case the commission was enabled to revise downward the plant accounts of about 275 companies, about one and one-half billion dollars. He added that in this undertaking only 12 companies sought hearings, the other cases being settled by request of the utilities through the conference procedure.

The speaker stated further that the Hope Case and the Northwestern accounting case have resulted in great and lasting benefits in the regulation of public utility rates and accounts. He added that these cases represent two of the most significant contributions to public utility regulation in our time. Smith then noted:

> If Mr. Draper had confined his regulatory activities to these cases alone he would be justly famous in his chosen field of endeavor. There are many other cases, important cases, involving great achievements in the art of public utility regulation which Commissioner Draper sponsored or participated in.

Smith continued with references to Draper's participation in other FPC rate reduction proceedings such as the Colorado Interstate Gas Company Case, a Panhandle Eastern Pipe Line Case, and the Interstate Natural Gas Company Case, all occurring during the period covered by Volume 3 of the FPC reports. He then observed:

> It was a period in which Commissioner Draper, as supervising or a participating commissioner, played a major rôle in blazing a new regulatory trail. It is a period in which regulation through the efforts of Commissioner Draper and those associated with him was taken out of the realm of metaphysics, out of the area of speculation and guesswork so characteristic of the past, and put on a sound and practicable basis. As I pointed out previously, the period may well be called the "golden age" of regulation.

Smith concluded with a personal tribute of esteem on behalf of the commission staff.

—D. T. B.

Does More Democracy Help Social Legislation?

It has been fifty years since Oregon introduced a unique system of democratic procedure. This was the initiative and referendum. It provided that the people, by petition, could enact any laws they wished. A recalcitrant and corrupt legislature might readily be by-passed.

Today, the initiative and referendum have spread in varying forms to 20 other states, yet such proposals as public housing, better welfare programs, and extended educational opportunities have fared no better in these states than in many of the realms which do not have the system of "government by petition."

Writing in *The Survey,* Richard L. Neuberger, Oregon state senator and well-known popular magazine writer, raises an interesting question as to whether this distribution of democratic power, even over particular legislative proposals, has been helpful to so-called progressive social legislation. He suggests that some of what he considers forward-looking types of legislation have not fared well in the hands of the very public it is supposed to benefit. Senator Neuberger states on this point:

> In recent years California, the state where the initiative and referendum now are used the most frequently, has voted down bills to create a state housing authority, to redistrict the legislature on the basis of present-day population, to repeal a consumer's sales tax, and to adopt a state FEPC.
>
> These setbacks have given pause to liberals and welfare workers. Such persons originally persuaded the western states to become a laboratory for an extraordinary political experiment. But the system of initiative and referendum, far from being an *open-sesame* to an advanced program of social reform, actually has been turned against its sponsors.
>
> Indeed, real estate corporations on the coast have made it a policy to subject low-cost housing measures to referendum vote. In most instances, the measures have lost.

And although financially sound old-age security plans have been rejected at the polls, the voters of many western states have adopted catch-all pension bills which actually threaten existing welfare laws. Colorado's schools have virtually been gutted by an initiative proposal which gives a prior claim on state revenues to old-age assistance.

What is the trouble? Are the people not fit to rule? They are—emphatically. No better ultimate tribunal has yet been found. But whether millions of men and women can become a vast open-air legislature is something else again.

NEUBERGER points to the confusion resulting from eleven bills appearing on the Oregon ballot in 1948. The voters approved one bill adding $37,000,000 to state obligations while at the same time trimming $24,000,000 from state tax revenues. But he doesn't think the people are to blame. They are the victims of propaganda, he thinks—too often bought and paid for by the side with the most money to spend. He suggests limitations on the amount of money which ought to be spent by special interests for campaign or propaganda purposes, as a possible correction. In any event, he doesn't think the initiative ought to be abandoned because it has not so far produced the kind of legislation he thinks is progressive. Senator Neuberger says on this:

> Despite all the irritations and genuine obstacles, few liberals and welfare workers would advocate abandonment of the initiative and referendum. They still are "a stick behind the door," as Lincoln Steffens called them long ago. A legislature, no matter how arrogant and partisan, realizes it is not the court of last resort. Perhaps the referendum, which overrules a legislature, has proved more useful than the initiative, which originates proposals.
>
> Study of election results in the 21 states having some form of the initiative and referendum reveals conclusively that it is far harder to secure a *Yes* vote than one expressed in the negative. As the ballot has become longer, approaching bed-sheet proportions, people show a tendency to vote *No* on every measure. This upholds referendums, but it defeats initiatives.

But maybe limitation of funds is too easy an answer. Senator Neuberger admits that New York and Connecticut, without "government by petition," offer their citizens just as enlightened a form of statutory fare as those states which have such procedures.

HE thinks political education would help. But that assumes some form of superior intelligence—or at least some authority superimposed on the public control—to decide which measures are "progressive" and "forward looking," etc., and which are likely to prove "reactionary," etc. In other words, we would have to decide who is already politically "educated" enough to set up the standards for the new mass education. The Oregon experiment thus indicates some impatience on the part of the reformers with the fruit of their own handiwork. It is not working out, or it is not working fast enough. So why not get some arrangement whereby a higher grade of intelligence will instruct the voters on how to vote for their own welfare? It sounds reasonable. But is it pure democracy? The Oregon and other initiative state voters will probably want to know the answer.

Of special interest to public utility companies is the regularity with which northwest voters have been defeating some local public ownership proposals in recent years. Looking over these results is enough to make any reformer wonder whether the progressives have been nourishing an asp — to wit, initiative and referendum.

It could be, of course, that some people are developing ideas of their own about what is liberal, progressive, forward looking, etc.

—F. X. W.

Public Utility Day in Detroit

THE Rotary Club of Detroit recently held a Public Utilities Day meeting. Utility executives heard the St. Lawrence waterway and power project discussed by Carroll B. Fentress, eastern vice president, Republic Coal & Coke Company, and chairman, National St. Lawrence Project Conference.

Fentress pointed out that he was not a member of the utility industry, but that he had a keen interest in the industry since the days of the late thirties "When I had the privilege of assisting Wendell Willkie in his historic rear-guard fight against the Tennessee Valley Authority." He continued that "that fight" did not succeed in salvaging all the investment in the electric companies that were put out of business; but that it did serve to help keep alive, "in the minds of the American people," some realization of the important issues at stake.

He observed that the people of Michigan are fortunate "in that most of your public utilities are in that type of ownership which, for want of a better word, we call private." He added that there is nothing so very private about ownership that is divided amongst tens of thousands of investors, in industries whose services are completely under the surveillance of public regulatory commissions. The ownership is private in this sense, he continued, in that

> . . . all the investment in these companies has been voluntary; the investors have some degree of control over the properties; and any investor is free to withdraw from the business at any time, by selling his securities to someone else.

FENTRESS noted that as a result the people of Michigan have at their service several billion dollars worth of public utility properties that have been built without any burden whatever on the public treasury. These industries are among the largest taxpayers, and all the rest of the taxpayers benefit from this sharing of the tax burden. He went on:

The reason I emphasize these two features of the so-called private ownership of your public utilities is that these industries are favorite targets of the Socialists—not only the sincere Socialists but also the political opportunists who think they can use Socialist methods without putting on the Socialist label. In Great Britain, such industries were the first to be nationalized. In the United States, there is a concerted drive to nationalize electric power. About one-fifth of the supply of that power in this country now comes from plants owned by Federal, state, or local governments or their agencies —principally Federal, as to the plants themselves but not as to the distribution systems.

Fentress then contrasted the respective rôles of the taxpayer and the investor:

> This huge development has used large amounts of public funds raised by taxation and public borrowing. There is a sad contrast between the situation of a taxpayer who is compelled to contribute to the cost of building public works without hope of any direct personal return and that of a voluntary investor who puts his savings at the disposal of a business with some hope of compensation and with reasonable prospect of being able to recover his savings when he needs them.

The coal company executive went on to point out the inflationary impact of government borrowing for public works. He noted:

> Now that we are all getting a first-hand acquaintance with inflation, it is becoming plain enough that the taxpayers not only suffer losses as underwriters of projects whose costs are not wholly recovered from project revenues. They are hit in another way, too, when the Federal government borrows money for public works or any other purpose. That is the biggest single factor in the pressure toward

shrinkage of the dollar—especially when the borrowing follows the present fashion of calling on the country's banking system. Beyond all that, the ownership of a public utility system by a government or by a governmental agency always enjoys tax exemptions not enjoyed by business enterprises. This in itself places added burdens on the tax-paying public, for the taxes have to be levied on somebody.

FENTRESS then claimed that the government advocates of the St. Lawrence seaway project were exploiting the natural desires of the people of the Midwest for a seaway, one of their main purposes being to create a new center in the Northeast for the growth of Federal electric power systems. He continued with the following statement:

> Their motives have shown up in the recent tug of war between President Truman and New York's Governor Dewey, over the question of building the St. Lawrence hydroelectric power plants in New York and Ontario without the deeper ship canals and locks. New York and Ontario have made a dicker to do that at their own expense, if permitted by their respective Federal governments. They point out that it would not interfere with later construction of the navigation works, whenever the two countries might want to build them. But New York has been unable to get approval of its plan in Washington. The Federal administration seems determined not to let the power project slip out of its own hands.

He then discussed the proposed plan in the St. Lawrence legislation to sell the power plant of the project back to the state of New York. He said:

> Perhaps you thought the Federal government was going to sell the power plant to New York, anyway, should the combined power and navigation project be built. That is the pretended plan; but it is a phony. The St. Lawrence legislation now before the Congress says a few kind words about transferring the power project to New York, but it leaves all the necessary arrangements for such a transfer unsettled until after Federal construction gets under way. The busy little Federal "planners" know how to handle that kind of setup. The power plant would be built and finished while arrangements for its transfer to New York were being discussed, endlessly. Then the plant couldn't be left idle. It would have to be put into service as a Federal power operation. Then it would be ready to become a key point in that visionary Federal power system for the Northeast that is so dear to the hearts of Washington's "planners," a system stretching from Niagara to the Bay of Fundy.

The balance of Fentress' remarks dealt chiefly with the transportation issues involved. He did charge at one point that "the St. Lawrence project is about the slowest way to provide defense power." He noted that its completion would take about six or seven years compared with steam plant production in about one-half the same time.

"IT is obvious that, even if we do practice economy, there will be a large governmental deficit at present rates of taxation. Therefore, I believe it will be necessary that we devise additional taxation. I would say that we can start off with some increases in personal income taxes, particularly for those between, say, $6,000 and $50,000 a year; some increases in corporation taxes; some increases in excess profits taxes; the imposition of excise taxes upon luxury goods and upon articles the consumption of which we wish to discourage; and, as a last resort but not as a first resort, we may be forced to adopt some kind of sales tax in order to get the revenue."

—PAUL H. DOUGLAS,
U. S. Senator from Illinois.

The March of Events

In General

Gas Utilities Report Fewer Rate Changes

Gas rate changes in 1949 were fewer than in 1948, according to a recent report by the rate committee of the American Gas Association. Rate changes in 1949 totaled 87, compared with 111 in 1948, the committee said, adding that these rate changes in the main were increases with the result that there was a somewhat larger dollar amount of net total increase in 1949 than in 1948.

A subcommittee of the AGA Rate Committee has compiled detailed information of rate changes for the years 1947, 1948, and 1949, one of the most active periods ratewise in the history of the gas industry.

An interesting point brought out by the subcommittee's study was the fact that natural gas companies made considerably more over-all rate increases in 1949 than in the two prior years. Twenty-nine natural gas companies reported rate changes in 1949 with an over-all revenue effect amounting to a net increase of around $14,390,000, compared to 11 natural gas companies reporting net revenue increases of about $3,730,000 in 1948 and 12 natural gas companies reporting net revenue increases of only $1,300,000 in 1947. Included in these figures are two or three companies reporting decreases, but the amounts of such decreases were very small.

In 1948, the reported changes in rates of natural gas companies affected only about 7,000 customers, with the majority of the net increases going to the larger industrial customers. In 1949, about 2,500,000 customers of all classes were affected as the undoubted result of increased production, operation, and maintenance costs, as well as the marked increase in construction cost for new facilities in the latter year.

The number of manufactured gas companies reporting net over-all revenue increases in 1949 showed a marked decline over the number reporting increases in 1948. This, the subcommittee said, was partly because postwar increased costs of doing business had an earlier, and possibly a more severe, impact on the manufactured gas companies than on the natural gas utilities. The report shows that 38 manufactured gas companies obtained over-all net increases of about $20,260,000, affecting about 3,780,000 customers in 1949 as compared to 75 manufactured gas companies with net increases of about $27,870,000 affecting 3,250,000 customers in 1948 and 26 manufactured gas companies with net increases of $10,140,000 affecting 2,200,000 customers in 1947. Two companies reported over-all decreases of relatively small total amounts in 1949, the subcommittee reported.

AEC Electric Requirements Raised

The steam-generating power plant to be built this year in southern Illinois by Electric Energy, Inc., will cost in the neighborhood of $88,000,000 instead of $73,000,000 as originally planned, according to a company spokesman, who said that, at the request of the Atomic Energy Commission, plans for "plant capability" have been revised upward from a maximum of 560,000 to 652,000 kilowatts. The plant will consist of four generating units as orig-

inally planned but they will be larger, the spokesman said.

Electric Energy was formed by five midwest private utilities to build and operate the plant to supply approximately one-half the electric power requirements of the atomic energy plant to be built by the government near Paducah, Kentucky.

The Tennessee Valley Authority will build a hydroelectric plant of similar size on the Kentucky side of the Ohio river near Paducah.

Power-fuel Availability Governs AEC Choice

THE availability of electric power, cheap fuel, and adequate water supply were important factors in the decision of the Atomic Energy Commission to locate its new gaseous diffusion plant near Paducah, Kentucky, according to Gordon Dean, AEC chairman.

In reply to a recent inquiry from Senator Brien McMahon (Democrat, Connecticut), chairman of the House-Senate Joint Committee on Atomic Energy, Dean listed five criteria followed in selecting the Kentucky site as:

1. Reserve power capacity of about 330,000 kilowatts available within about a year and a half from start of construction.

2. Adjacent suitable land for construction of permanent new generating facilities adequate to furnish from 750,000 to 1,000,000 kilowatts of firm power, with the availability of cheap fuel and adequate water supply. Water requirements estimated to be 25 CFS for production plant and 50 CFS for power plant.

3. Between 100 and 1,000 miles from Oak Ridge, Tennessee.

4. There should be available approximately 1,000 acres of suitable building land and 4,000 additional acres for security perimeter.

5. There should be available urban centers within a reasonable distance capable of supporting a construction force of 10,000 men and 1,500 operators.

6. Reasonable transportation facilities should be available or capable of development at reasonable cost.

In the same letter, Chairman Dean said the new atomic installation in South Carolina had been selected after consideration of similar criteria, notably the power to be available from the Savannah river as well as the suitability of the water from that stream for certain processes at the plant.

Chairman Dean also said the two sites had been settled on after more than a year of study by the commission in cooperation with the Army Corps of Engineers and other Federal agencies.

Alabama

Directors Approve Biggest Expansion

DIRECTORS of the Alabama Power Company have approved a 1951 building program totaling $27,885,000, the largest in the company's history. Approximately one-half of the total will go into new generating plants and connecting lines, company officials said.

The new capacity, according to a company spokesman, will mean a 62 per cent increase since World War II.

Expenditures for generating facilities include completion of a 100,000-kilowatt addition to the Gorgas Number 2 steam plant, the beginning of another 100,000-kilowatt addition there to be completed in 1952, the completion of a 40,000-kilowatt addition to Chickasaw steam plant near Mobile, and progress toward completion in 1952 of an additional 55,000-kilowatt generating unit at Martin dam.

Additional transmission lines and substations, and enlargement and improvements to existing transmission substations, will total more than $2,500,000, while increase in supply facilities and extensions to new customers are estimated at more than $11,000,000.

California

Transit Volume Down—Subsidy Sought

TRAFFIC volume on San Francisco's Municipal Railway continued on the downgrade during 1950, with 12,521,688 fewer passengers riding than in 1949. This trend, according to Marmion D. Mills, nationally known transit expert, is largely due to the increased availability and use of private automobiles in the Golden Gate city.

In the meantime, the Municipal Railway has asked for additional tax support. In submitting its 1951-52 budget to the public utilities commission, MR asked a subsidy of $1,972,055, an increase of $910,055 over the 1950-51 subsidy of $1,062,055. Estimated expenses for fiscal 1951-52 total $19,814,117 against estimated operating receipts of $17,842,055.

Biggest items of increase in the new budget are $541,000 for redemption of rehabilitation bonds, $113,000 for tire rental costs, $58,745 in temporary salaries, and $63,722 for materials and supplies.

PUC President Philip F. Landis noted that the railway's aim to operate without subsidy was "thwarted" by the requirement that the system continue the costly two-man operated streetcars, which cost $950,000, "public resistance" to elimination of duplicating service on parallel lines, and the need for operating all cable car lines under the people's mandate.

The system made no budget allowance for the payment of social security taxes for railway employees, in line with recent congressional legislation extending the benefit to transit employees.

Two other contingencies were listed which could require additional tax support. One was the possibility that there will be a continuing decline in passenger traffic and the other the question of wage increases which cannot be determined until July.

Georgia

Utility Antistrike Measure Offered

A BILL aimed at preventing future work stoppages in vital public utility industries has been introduced in the state house of representatives.

The measure would make it unlawful for a union to strike and an employer to "engage in a lockout" where the "health and welfare" of the public are threatened. It would also authorize the governor to intervene after an investigation discloses there is "a threatened" interruption of operations of the involved public utility.

All public utilities operating within the state—railroads excepted—would be affected by the measure.

Stiff penalties are provided in the bill. Any union officer who participates "in calling, inciting, or supporting" any strike would be fined $1,000, while a public utility which "engages in a lockout" would be fined $10,000 for each day of the work stoppage.

Most of the working details of the bill are left up to the governor who is authorized "to prescribe the necessary rules and regulations" to carry out the provisions of the act.

Idaho

WWPC Sale of Idaho Property Blocked

GOVERNOR Len Jordan (Republican) has signed, into law, a bill which will prevent sale of any electric power development in the state to a governmental or quasi governmental organization from outside the state. The bill was jammed through both houses of the leg-

islature under suspension of the rules in late January.

Spokesmen for the measure said it would bar sales of Washington Water Power Company installations to Washington state public utility districts thus removing the facilities from Idaho tax rolls. It is estimated that about one-third of the company's physical property is in the Gem state.

WWP's annual report shows the company has three generating plants in Idaho, in addition to transmission lines in ten northern counties. The company owns power dams at Post Falls on the Spokane river and at Lewiston and Grangeville on the Clearwater river, and a fourth generating plant is planned at Cabinet Gorge on the Clark Fork river. Rights to build this dam, which would almost double the generating capacity of the company, were granted in January by the Federal Power Commission.

Maryland

Would Increase PSC Membership

LEGISLATION to increase membership of the public service commission from three to five, and to provide for regional membership on the commission has been introduced in the state senate.

Under the bill, the commission would be composed of members representing the eastern shore, southern Maryland, central Maryland, western Maryland, and the city of Baltimore. Two members would belong to the opposite political party from that of the governor. There is no present residence requirement for members of the commission.

The measure, similar to bills unsuccessfully introduced in past Free state legislative sessions, was sponsored by two Republican and two Democratic senators.

Michigan

Municipal Transit Loses

THE municipally owned Detroit Street Railway system lost $265,000 on its over-all December operations, although it showed an actual profit on its operation of busses and streetcars. Interest, taxes, depreciation, and other charges accounted for the "red ink," according to the general manager.

Fares collected totaled $3,964,500, exceeding operating costs by $220,000, Nowicki said, adding that the nonoperating charges turned this operating profit into a net loss of $265,550 for the month and brought the total loss for the last two months of 1950 to more than $500,000.

Wisconsin

Would Create Districts

A PROPOSED amendment to the state Constitution, introduced in the legislature late last month, would give the state broad authority to appropriate funds for the creation of water-power districts.

Under the proposed amendment, which was offered by Senator Casimir Kendziorski (Democrat), of Milwaukee, the state would be empowered to build facilities for generating hydroelectric power and to develop water-power resources.

The proposed amendment also would authorize state regulation of rivers and the creation of storage basins for water-supply, navigation, flood-control, and soil conservation purposes.

Progress of Regulation

Electric Company Denied Authority to Serve Territory Of Coöperative

THE New Hampshire commission denied an electric company's petition for authority to extend its lines and service to an area being served by a coöperative. The record indicated that adequate service could be rendered by the coöperative although several complaints as to service inadequacy had been made.

No unreasonable or inequitable rate differential between the coöperative service and that which the utility would render was apparent.

The commission felt that to grant the utility the right to serve the area would result in a duplication of facilities and capital investment. It pointed out that the proceeding should serve notice to the coöperative that there is some dissatisfaction with the service it is furnishing, and that inasmuch as the coöperative has invoked commission jurisdiction in this case, it would be expected to comply with the commission's request that it improve service. *Re Public Service Co. of New Hampshire (D-E2977).*

Electric Rates for Apartment Buildings Unaffected by Federal Rent Restrictions

THE Pennsylvania commission approved an electric rate increase and dismissed a complaint that the rates were unreasonable, excessive, and discriminatory. Increases in the cost of coal, labor, and Federal taxes were urged as reasons for the need for higher rates.

The increased rates affected apartment residence units. Owners of these units claimed that the rates were discriminatory since apartments are subject to rent control with rents frozen by Federal regulation.

Consequently, they said, they did not have the same freedom to recoup their increased costs of operation as other electric consumers.

The commission rejected this objection as having no bearing on the rate question. It ruled that it is its function to determine reasonable rates and that individual problems of customers, not related to public utility service, cannot be made the basis of a finding that rates are unreasonable.

Customers also complained that the company failed to make any allowance for increased usage of electricity, increased efficiency, and decreasing operating costs. The commission rejected this complaint, however, on the ground that in fixing rates it must deal with experienced facts tempered only by known developments which reliably indicate a changed factual situation for future operations. It pointed out that remedies are provided by law to reduce rates if earnings become excessive or to increase rates when earnings are deficient.

The amount of return a utility seeks when it files a new tariff is not controlling, according to the commission. The company may seek more or less than a fair return. If the former, a formal ad-

judication provides correction, and if the latter, the company is not estopped from obtaining a fair return at a later date. In no event can the return which the utility seeks in filing a tariff be forever frozen at that amount.

The commission said that the rate of return must be sufficient to provide adequate capital to provide service. It observed that the rate of return to a utility is not dependent upon the judgment of any one individual but is influenced by the consensus of the securities market, where many investors, independently and freely, appraise the attractiveness of the investment in a utility stock in competition with industrial and other securities. A reasonable rate of return is one sufficient to attract additional capital on reasonably favorable terms. Such a basis serves to safeguard the interest of consumers in adequate service. *Shanis v. Philadelphia Electric Co. (Complaint Docket No. 14579).*

Commission Follows Prosecutor's Recommendation Concerning Phone Restoration

THE New Jersey Board of Public Utility Commissioners dismissed a complaint by a husband and wife against a telephone company's action in discontinuing service to them upon request of the county prosecutor.

The husband had been convicted of bookmaking as a result of a raid on their residence and had been fined and placed on probation. The wife's contention that she had been neither arrested, nor convicted, nor charged with using the telephone for unlawful purposes was overruled with this comment by the commission:

> While that is the fact, yet the apartment to which service is requested to be restored is occupied by her as well as her husband; an illegal use of the premises and of the former telephone installation at the apartment by her husband led to his conviction of bookmaking.

The commission concluded by saying that inasmuch as the prosecutor still refused to consent to the restoration of service, it would assume that his decision accords with his duties as a law enforcement official and that it would be error for it to nullify his efforts to prevent crime. *Vacchiano v. New Jersey Bell Teleph. Co. (Docket No. 5280).*

Suspension of Rates Is within Commission Discretion

THE Pennsylvania Superior Court dismissed an appeal based on the failure of the commission to suspend increased transportation rates. New tariffs had been filed and complaints against these tariffs were made. The commission could have suspended the increased rates but did not do so, in spite of the complaints.

No hearing had been held by the commission and no order entered. The court held that the law providing for appeals covers only "orders of the commission." The court said:

> Whether prospective rates will be suspended is within the sound discretion of the commission. Their power in that respect is primarily an administrative function and no appeal lies from the failure of the commission to suspend the operation of the tariff in this instance pending final disposition of complaints against it. The applicable principles of law may be found in Philadelphia *v.* Public Utility Commission (1949) 164 Pa Super Ct 96, 78 PUR NS 484.

Yosko v. Public Utility Commission (Appeal 1232, No. 23, October term, 1951).

New Construction and Added Personnel Considered

THE North Carolina commission, in granting telephone rate increases, considered construction work in progress, which its auditing staff did not include in the company's net investment, since such construction had been completed at the time of the hearing.

The commission further held that it should consider the fact that the company had committed itself to the employment of additional personnel and could show a definite added expense per year for such increase, especially since the commission has the right to compel the company to increase personnel.

The company's argument that working capital should be the gross income for one month or the amount of cash now on hand which it is using as working fund was rejected, and working capital based on the total of one month's operating expenses, plus materials and funds on hand, was allowed. *Re North State Teleph. Co. (Docket No. P-42, Sub 3).*

Rate Increase Granted Notwithstanding Complaints Against Service

THE North Carolina commission authorized telephone rate increases, although numerous complaints had been made against the company's service. The company was not earning a reasonable return on its investment.

The commission allowed as an expense item the annual salaries, totaling $12,000, of four members of a family who owned all the common stock. This amount was considered large in view of the fact that the company's gross annual operating revenues were $30,000, but consideration was given to the fact that there had never been a dividend declared in the history of the telephone company.

Inequality of monthly rates among three rural exchanges connected by trunk lines where a call between any of the exchanges was only 5 cents, subject to no time limit, and applying to both station-to-station and person-to-person calls, was held to be inequitable. *Re Oldtown Teleph. System, Inc. (Docket No. P-44).*

Coöperative Electric Facilities Allowed When Present Sources Inadequate

THE Kentucky commission authorized a corporation consisting of eighteen rural electric distribution coöperatives to construct and operate a generating and transmission system for the purpose of supplying its members with electric energy in an area served by existing electric utilities. It pointed out that the existing companies not only had failed to deliver energy direct to all of the load centers, but also had absolutely refused, in some instances, to construct necessary transmission lines to deliver the energy.

The transmission system, if constructed, would greatly reduce the hazards of power failure resulting from outages. There would also be a great saving to the coöperatives since they would be relieved of the actual cost of maintenance, depreciation, and other incidental costs connected with existing transmission lines. Furthermore, they would be relieved of the line loss on the lines.

The coöperatives had been purchasing electricity wholesale from the privately owned companies. The latter companies opposed the new construction on the ground that the proposed transmission facilities would duplicate their facilities. It was admitted that the pro-

posed lines would parallel existing lines. The commission ruled, however, that the mere fact that a transmission line geographically parallels another line does not necessarily mean that the construction of the second line would be a duplication. It pointed out that if a transmission line is presently overloaded and cannot adequately carry the load required by the coöperatives, the construction of a parallel line would not be a duplication.

For example, if a 69-kilovolt line were required, its construction parallel to a 33-kilovolt line would not necessarily be a duplication. A 69-kilovolt line would not duplicate a 132-kilovolt line, since the cost of tapping such a line for coöperative purposes would be prohibitive.

Evidence indicated that the transmission lines of the utilities were primarily constructed to take care of their own loads and load centers and were never designed for the purpose of meeting the requirements of the coöperatives.

The commission found also that the proposed generating and transmission facilities, when constructed, would be able to deliver energy to the member coöperatives at a cost at least as low as their present purchase cost. *Re East Kentucky Rural Electric Coop. Corp. (Case No. 2013).*

Suit against United States Attorney over Denial of Telephone Service

THE United States Court of Appeals for the District of Columbia reversed an order of the Federal District Court which temporarily restrained a telephone company from discontinuing service and restrained the United States Attorney from requesting and coercing such action.

Only the United States Attorney appealed from the lower court action. The court based its reversal on the fact that the action of the United States Attorney in notifying the company that its facilities were being used for gambling was that of the United States and that consequently he was not subject to an injunction suit.

"Unless he is acting pursuant to an unconstitutional statute," the court concluded, "or is applying a valid statute in an unconstitutional manner, or is acting outside his statutory authority—in which events he is said to be acting individually rather than officially—no injunction will lie against him." *Fay, U. S. Atty. v. Miller (— US App DC —, 183 F2d 986).*

Win and Place As Well As Show Information Costs Movie Service Its Phones

THE appellate division of the New York Supreme Court reversed a lower court order directing a telephone company to restore service to a corporation which supplied information to the public concerning moving picture shows running at various theaters. A fee was charged each theater for the service.

The corporation had sublet part of its premises to another corporation which provided bookmakers with race track post times, scratches, stretch positions, win, place, and mutual odds. Upon information received by the company from the police commissioner that telephones in the premises occupied by the two corporations were being used to aid and abet gambling, the service was discontinued.

The lower court found that the two corporations were separate entities and that the movie information company needed 11 of its 29 phones for its legitimate business. It directed the telephone company to restore service on these phones provided that they be used

only for the movie information service and that the corporation completely separate itself from the racing information business.

The appellate division disagreed on the law and the facts and found that the service to bookmakers was the dominant one for which telephone facilities were used, as distinguished from the profitless venture of supplying information with respect to moving picture shows.

The court also indicated that the movie corporation's president was instrumental in creating the racing service, received substantial sums from it, and was fully aware of the service which it provided to bookmakers. The court concluded that a clear legal right to restoration of service had not been shown. *Re Movietime, Inc. 101 NY 52d 71.*

Carloaders' Rates Not within State Jurisdiction

CARLOADERS operating within marine terminal areas or on piers, docks, or wharves, who were parties to an agreement made under § 15 of the Federal Shipping Act, were authorized by the California commission to cancel the tariffs which they had on file with it in so far as they applied to interstate and foreign commerce.

The commission was not convinced that the question as to its right to regulate the loading and unloading activities of these companies had been settled by the United States Supreme Court. However, it based its decision on an earlier case in which that Court had ruled:

> . . . in determining whether regulatory jurisdiction is governed by Federal or state statutes, the test is whether the matter on which the state asserts the right to act is in any way regulated by Federal law. If it is, according to the court (two of the justices dissenting), the Federal scheme prevails though it is "a more modest, less pervasive regulatory plan than that of the state."

Re "Carloaders" Operating on Piers, Docks, Wharves, or within Marine Terminal Areas (Decision No. 44671, Case No. 5105).

Telephone Company Ban on Use of Automatic Answering Device Upheld

THE Louisiana commission dismissed a complaint by a distributor of an automatic telephone answering device seeking to compel a telephone company to permit the use of the attachment in connection with telephone facilities. The device was held to be prohibited under the company's foreign attachment provisions on file with and approved by the commission.

The tariff provides that "no line, instrument, appliance, or apparatus not furnished by the telephone company shall be connected with, attached to, or in any way, whether physically, by induction or otherwise, used in connection with facilities of the telephone company." The answering device is not furnished or maintained by the telephone company. It is inductively and acoustically connected to the telephone set. In order to function at all, it must be physically connected to the set by direct contact.

The commission held that the answering device falls squarely within the meaning of the prohibition. Accordingly, it decided that the telephone company had not arbitrarily misconstrued and applied its tariff provisions.

The commission said that there should be no compromise of this rule by permitting attachments or devices of others who have no responsibility for telephone service. The company's responsibility

for good service is subject to regulatory control. The commission observed that if it should permit others to attach such privately owned facilities and to use them, the telephone company would lose control over that part of the service involved.

The commission would also lose regulatory jurisdiction over that service.

The commission said that if there is a demand for telephone answering service, telephone companies should select and provide the necessary equipment as well as maintain and operate it. This would be in the interest of efficient and economical service and would enable the commission to retain jurisdiction. It ordered the company to keep the commission informed as to progress made toward development of a telephone answering device. *Gulf Tele-Magnet Corp. v. Southern Bell Teleph. & Teleg. Co. (Order No. 5577, Docket No. 5500).*

Commission Considers Effect of Map Filing On Utility's Service Area

THE Wisconsin commission denied an electric company's request for a rehearing in regard to an order directing it to render steam-heating service to a hotel within its territory.

The commission specifically overruled two grounds relied on by the utility in seeking a review. The first concerned the availability of other service to the hotel.

On this point the commission said:

> The availability to the complainant of nonpublic utility steam-heating service does not affect its right to demand and secure public utility service from a public utility with an obligation to serve complainant's premises.

The second contention of the utility was that, in filing a map delineating its claimed service area, it had effectively limited its service obligations to territory which excluded the hotel property.

The commission stated the oft-quoted rule that what a utility does, and not what it professes to do, determines its holding out. It then pointed out that the indeterminate permit which the company held included the hotel property and that the company had on several occasions extended service to customers outside the area set out on the map. *Tower Operating Co., Inc. v. Wisconsin Electric Power Co. (2-U-3363).*

Other Important Rulings

THE New Jersey commission ruled that a telephone company had reasonable cause for denying service to the premises of a used car dealer where the toll tickets covering charges billed to the premises in a 7-month period indicated that about two hundred calls had been made to premises where gambling activity was known to be carried on. *York Motors, Inc. v. New Jersey Bell Teleph. Co. (Docket No. 5320).*

A telephone company was permitted a rate increase by the Georgia commission, effective upon its conversion to automatic dial operation, where its net investment, operating revenues, and expenses appeared reasonable, where the new rate compared favorably with the rates of other exchanges of comparable type and size, and where the company's return under the new rate would amount to 6.3 per cent of total investment. *Re Leslie-DeSoto Teleph. Co. (File No. 19511, Docket No. 44-U).*

The Georgia commission, in allowing a telephone company a return of 5.67 per cent on its investment, disallowed the company's estimate as to uncollectible

accounts and allowed one-half of one per cent of gross revenues for this item. *Re Alma Teleph. Co. (File No. 19427, Docket No. 26-U).*

The United States District Court granted a railroad company an injunction restraining a state commission from imposing sanctions for discontinuing passenger trains, in violation of a commission order, and held that the order was invalid because there was no longer any public necessity for this service and the railroad was operating at a large financial loss. *Louisville & N. R. Co. v. Alabama Pub. Service Commission (93 F Supp 544).*

The Colorado commission authorized the discontinuance of passenger trains operating at substantial losses in order that the amount saved could be applied to the continued operation and improvement of freight service, upon which the future prosperity of the territory largely depended. *Re Denver & R. G. Western R. Co. (Application No. 10256, Decision No. 35726).*

The Michigan commission, stating that, while a utility is entitled to fair compensation, service must be commensurate with rates paid, decided that a company must adopt sufficient means to improve its plant and equipment to render better service in order to enjoy a continuance of an authorized rate increase. *Re Morenci Home Teleph. Co. (T-222-50.2).*

The Massachusetts commission ordered that a transportation agreement between a motor carrier and a shipper be terminated and that the carrier charge only rates shown in the tariff where the agreement did not clearly indicate which filed tariff was applicable and the carrier would have an unfair option in choice of rates. *Re Nemasket Transp. Co., Inc. (DPU 9143).*

Titles and Index

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TITLES

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Kansas-Nebraska Natural Gas Company, Incorporated et al.

v.

State Corporation Commission et al.

Nos. 37921, 37920, 37924
169 Kan 722, 222 P2d 704
October 7, 1950; rehearing denied January 6, 1951

APPEAL *from judgment directing enforcement of Commission order fixing a minimum wellhead price for natural gas; affirmed. For Commission decision, see (1949) 77 PUR NS 150.*

Interstate commerce, § 37.1 — Federal Commission jurisdiction — Local gas sales and distribution.

1. Under the Federal Natural Gas Act of June 21, 1938, Chap 556, 52 Stat 821, 15 USCA § 717 et seq., the jurisdiction of the Federal Power Commission does not extend to intrastate transportation or sale of natural gas, or to the local distribution of natural gas, or to the facilities used for such distribution, or to the production or gathering of natural gas, p. 104.

Gas, § 2 — Powers of state — Natural gas production and distribution.

2. In this state the production and distribution of natural gas for light, fuel, and power is a business of a public nature, the control of which belongs to the state. Following La Harpe v. Elm Twp. Gas, Light, Fuel & Power Co. (1904) 69 Kan 97, 76 Pac 448, p. 104.

Gas, § 9 — Conservation — Avoidance of waste.

3. The dominant purpose of our statutes pertaining to the production and conservation of natural gas, G. S. 1947 Supp 55–701 to 55–713, is to prohibit waste of natural gas in Kansas, not only in the manner and under the conditions of its production, but for such purposes as would constitute waste, p. 104.

Gas, § 2 — Powers of state — Protection of landowners.

4. The statute is also designed to protect the relative rights of the owners of real property from which natural gas is produced from a common source of supply, p. 104.

Gas, § 3 — Jurisdiction of Commission — Prevention of waste.

5. The statutes place authority in the State Corporation Commission, on proper application made to it, to hear the evidence and to make appropriate orders to prevent waste of natural gas in its production, distribution, or sale in this state, and to so regulate the taking of natural gas from a common source of supply as to prevent inequitable or unfair taking and to prevent

unreasonable discrimination in favor of or against any producer of gas from such common source of supply, p. 104.

Gas, § 3 — Powers of Commission — Minimum price at wellhead.

6. Our statute gives the Corporation Commission authority to make an order fixing a minimum wellhead price for natural gas taken from a common source of supply if the evidence before the Commission justifies its conclusion that such an order is necessary in order to prevent waste and to secure the relative rights of owners of real property from which gas is produced from a common source of supply, p. 104.

Gas, § 3 — Minimum price at wellhead — Constitutional limitations.

7. Such an order, if applied to the Hugoton gas field in Kansas, is not void as being in violation of § 17, Art 2, of our Constitution, p. 107.

Headnotes by the COURT.

On Rehearing

Interstate Commerce, § 37.1 — Jurisdiction of state Commission — Effect of Natural Gas Act.

8. The Natural Gas Act does not vest jurisdiction in the Federal Power Commission to fix the price of natural gas at the wellhead, so as to deprive the state Commission of jurisdiction to fix such price, even though a large percentage of the gas produced or purchased in the gas field is transported in interstate commerce, p. 108.

(PRICE and WEDELL, JJ., dissent.)

APPEARANCES: M. F. Cosgrove, of Topeka, argued the cause, and James D. Conway, of Hastings, Neb., and D. B. Lang, of Scott City, were with him on the briefs for appellant Kansas-Nebraska Natural Gas Co., Inc.; Mark H. Adams, of Wichita, argued the cause, and Lawrence I. Shaw, of Omaha, Neb., and A. M. Fleming, of Garden City, were with him on the briefs for appellant Northern Natural Gas Co.; Louis R. Gates, of Kansas City, argued the cause, and Mark H. Adams, of Wichita, and Edw. H. Lange, of Kansas City, Mo., were with him on the briefs for appellant Panhandle Eastern Pipe Line Co.; Jay Kyle, General Counsel, State Corporation Commission, of Topeka, R. C. Woodward, Special Counsel, of El Dorado, and Howard T. Fleeson and Dale M. Stucky, both of Wichita, of counsel, argued the cause and were on the briefs for appellees.

HARVEY, CJ.: These consolidated appeals are from judgments of the district court, which upon review of an interim order of the State Corporation Commission fixing a minimum price of 8 cents per thousand feet at the wellhead for natural gas taken from the Hugoton gas field, found the same lawful and reasonable and directed their enforcement.

What is commonly spoken of as the Hugoton gas field is approximately 60 miles long and 40 miles wide, covering parts of several counties situated in the southwest corner of Kansas and extending south across Texas county, Oklahoma, and into one or more counties of northern Texas. We are concerned here with only that part of the Hugoton gas field which is in Kansas. It is said to be the largest known reservoir of natural gas and is found at a depth of from about 2,600 to 2,900 feet in a porous formation about 50

feet thick. It was discovered near Hugoton in 1922, but it was not until about 1929 that its possibilities for domestic and industrial purposes had been fully realized. At the time of the hearing before the Commission about 1,000 wells had been drilled and pipelines had been laid to convey the gas to many cities and communities in Kansas and also in Colorado, Nebraska, and states north, as far as Minneapolis, and east to cities in Michigan and points between. Several million feet of natural gas per day were being taken from the wells. The supply was greatly in excess of the market demands. Many of the producers had not been able to market their gas through any of the pipelines. Prices being paid to producers varied from 4 to 8 cents per thousand cubic feet. There was really no open market for it—the producers had to accept what the pipeline companies would offer to pay.

On February 6, 1948, the Southwest Kansas Royalty Owners Association, a nonprofit corporation composed of about 1,200 members and eighteen individuals, each the owner of mineral interests in real property in the Hugoton gas field, filed a petition with the Corporation Commission which alleged that under the land owned by the petitioners and others is the natural gas reservoir and source of supply known as the Hugoton gas field, which constitutes a natural resource which should be conserved and the waste of which should be prohibited by the Commission, and stated particulars not necessary to be noted here in view of an amended petition in which preventable waste existed. The petition was received and given docket No. 35,154-C (C-1868 Conservation Division). Each of the appellants here intervened and filed a written protest, and the Cities Service Gas Company filed a motion to dismiss. After due notice to all interested parties a pre-trial hearing was had July 19 and 20, 1948, of oral and written arguments as to the legal questions involved, including jurisdiction of the Commission, during which the petitioners were given leave to file an amended petition, and a date was fixed for the hearing of evidence, the Commission reserving its ruling upon the legal questions. The amended petition was filed August 4, 1948. Hearings were had from October 18th through the 22nd and December 13th through the 15th, at which evidence was offered. On February 18, 1949, the Commission filed its interim order, which sufficiently sets forth the questions presented by the amended petition and the ruling of the Commission thereon, the pertinent portions of which are as follows:

The interim order recited the consideration of the evidence and the arguments and briefs of counsel, the filing of the petition and amended petition, and stated that the petitions, as amended, "requested that the Commission:

"(a) Institute an investigation into the issues raised by the amended petition,

"(b) Establish a uniform minimum price at which gas may be taken out of the producing structures in the Hugoton field in Kansas of not less than 10 cents per thousand cubic feet,

"(c) Require all purchasers and takers of gas in and from the Hugoton

field to take ratably from each completed well in the field,

"(d) Establish atmospheric pressure as the base for measurement of the natural gas taken from the Hugoton field."

Paragraph 2 recites the hearings and notices therefor, and

"At the conclusion of these proceedings, all of the questions of fact and of law were taken under advisement by the Commission.

"3. Gas Conservation Rule 82-2-201 of this Commission is statewide in its application. Among other terms, it defines 'Gas, Cubic Foot' as the volume of gas required to fill one cubic foot of space at a temperature of 60 degrees Fahrenheit and under an absolute pressure of 16.4 pounds. To provide for a different pressure base in the Hugoton basic order would require amendment of this statewide rule. These proceedings, noticed as applicable only to the Kansas Hugoton field, are not competent to effect an amendment to a statewide rule or regulation. The Commission, having so limited this inquiry, is without jurisdiction here to establish a pressure base differing from the base set forth in the above noted Gas Conservation Rule. However, issues fairly raised in this proceeding make it appear to the Commission that an investigation on a statewide basis should be initiated to determine whether Rule 82-2-201 should be amended and the Commission is this day entering its order in Docket No. 34,780-C (C-1825) instituting such an investigation.

"4. The Commission has jurisdiction and authority to determine the value of gas at the wellhead in the Kansas Hugoton field and to require that no gas may be taken out of the producing structures unless the takers of such gas attribute such value to the gas for purposes of payment to the producer, landowner, lease-holder, or royalty owner, and to fix a minimum wellhead price at which natural gas may be taken from the Kansas Hugoton field, when such determination and requirement or fixing of price is a necessary or appropriate means of giving effect to the intent and purpose of the statutes relating to the production and conservation of natural gas (G.S.1947 Supp. 55-701 to 55-713, incl.). . . .

"5. The record in this proceeding does not explore fully all the factors which the Commission deems it necessary to consider in arriving at a final determination as to the value of gas at the wellhead in the Kansas Hugoton field or as to what minimum wellhead price should be fixed for the sale of natural gas. To secure the further information it requires, the Commission is this date, on its own motion, entering its order instituting an investigation in Docket No. C-164. However, undisputed evidence now before the Commission in this record establishes that in order to give effect to all the intents and purposes of the statutes relating to production and conservation of natural gas, it is necessary and appropriate for the Commission to determine, pending completion of the investigation today instituted in Docket No. C-164, that the fair and reasonable value of natural gas at the wellhead in the Hugoton field is at least 8 cents per thousand cubic feet, and that the taking of gas out of the field without attributing such value thereto for purposes of payment to the pro-

ducers, landowners and royalty owners is not conducive to the fulfilment of the intents and purposes of the statutes relating to the production and conservation of natural gas and should be prevented.

"6. No person, firm, or corporation taking gas from the Hugoton field should take or cause such gas to be taken out of the producing structures or formations thereof without attributing thereto for purposes of payment to the producers, landowners, leaseowners, and royalty owners a fair and reasonable value at the wellhead of at least 8 cents per thousand cubic feet of gas."

Paragraph 7 pertains to the keeping of books of gas taken from the field and provides:

"Pending completion of the investigation in Docket No. C-164 instituted today, which investigation may result in modification of the determination of the value of gas, . . ."

It further provides that those taking the gas should be required to make actual payments of the differences to the persons entitled thereto, or deposit or impound the funds in their own treasury or give bond for such payment.

"8. It is not established in the record now considered that ratable-taking within the meaning of the statutes above referred to is not being accomplished. It has been strongly urged by the applicants herein that the basic order for the Kansas Hugoton field does not require purchasers within that field to take ratably from each developed well. The Commission's desire to fulfil completely the purpose and intent of the laws relating to the production and conservation of natural gas prompts it to explore more fully the conditions and circumstances related to applicants' contentions. It is, therefore, entering its order in Docket No. C-164 instituting an investigation to determine whether the basic proration order, applicable to the Hugoton field, should be amended to further insure ratable-taking within the meaning of the gas conservation laws.

"It is, therefore, by the Commission *ordered:* That from and after the effective date of this order and until the further order of the Commission in this docket or in Docket No. C-164 following or in the course of the investigation today instituted:

"1. No person, firm, or corporation taking gas from the Hugoton field shall take or cause such gas to be taken out of the producing structures or formations thereof without attributing thereto for purposes of payment to the producers, landowners, leaseowners, and royalty owners a fair and reasonable value at the wellhead of not less than 8 cents per thousand cubic feet. . . .

"4. This order shall take effect and be enforced from and after 12:01 A.M., March 1, 1949, and shall remain in force and effect until the further order of this Commission.

"The Commission hereby retains jurisdiction of this cause and of the subject matter and the parties hereto for such other and further orders as the circumstances may require."

On the date the Commission filed its interim order in docket No. 35,154-C (C-1868) it made an order in docket No. C-164 by which it determined, on the Commission's own motion, that an investigation should

be instituted to develop and explore all the facts and circumstances pertinent to a determination of the value of gas at the wellhead in the Kansas Hugoton gas field and as to what minimum wellhead price should be fixed for the sale of such gas, hearings pursuant to such investigation to be held upon proper notice at such times and places as the Commission might order.

On February 23, 1949, 77 PUR NS 150, the Commission filed its memorandum opinion, setting out its reason for making the interim order. This included a history of the proceeding, of our legislative history relating to the production and conservation of natural gas, and the history of the development of the Hugoton gas field, and found authority for its interim order in our statute. G.S. 1947 Supp. 55-701 to 55-713. The Commission on the same date issued an order in docket No. C-164 by which, on its own motion, it instituted an investigation, with hearings to be held thereon after due notice, for the purpose of determining whether existing orders, rules, and regulations were sufficient in scope to require ratable taking from each and every well in the field, and whether, under existing orders, rules, and regulations, it was necessary to make amendments, alterations, and changes therein for the protection of correlative rights, conservation of natural gas, orderly development of the field, ratable taking, and for such other purposes as might be deemed necessary. On the same date the Commission, on its own motion, made an order in docket No. 34,780-C (C-1825) for further consideration of the unit of measurement known as "Gas Cubic Foot," defined in rule 82-2-201 of the general rules and regulations for the conservation of crude oil and natural gas.

Each of the appellants filed a motion for rehearing, which motions were considered by the Commission and overruled. Whereupon the appellants filed their respective actions for judicial review of the interim order of the Commission by the district court, as provided in G.S.1947 Supp. 55-606, as authorized by 55-707. These actions were heard together by the district court on September 12 and 13, 1949, and taken under advisement by the court. On September 24, 1949, the district court made its findings and judgment in each of the actions as follows. The court found:

"1. That the interim order entered by the State Corporation Commission of the state of Kansas, one of the defendants herein, in its Docket 35-154-C (C-1868) on the 18th day of February, 1949, was a lawful and reasonable order:

"2. That said interim order here before this court on a petition for review under G.S.1947 Supp. 55-707, should be upheld and sustained.

"It is therefore by the court *ordered, adjudged,* and *decreed* that said interim order entered by the State Corporation Commission of the state of Kansas, one of the defendants herein, in its Docket 35154-C (C-1868) on the 18th day of February, 1949, be and the same is hereby upheld and sustained. That the costs of review in this court be assessed to the plaintiff.

"Ray H. Calihan, District Judge."

Each of the plaintiffs filed a motion for a new trial in the district court, which was considered by the court and overruled, and each of them timely ap-

pealed to this court, where the cases were consolidated for hearing.

We turn now to the consideration of the legal questions presented. Appellants contend that since they are engaged in the business of transporting natural gas in interstate commerce they are governed wholly by the Federal Natural Gas Act of June 21, 1938, Chap 556, 52 Stat 821, 15 USCA § 717 et seq. This is "An act to regulate the transportation and sale of natural gas in interstate commerce, and for other purposes." It first declares the "necessity for regulation of natural gas companies," contains a declaration of policy, and specifies the application of its provisions with exemptions thereto. The pertinent portions read:

"Section 1. (a) As disclosed in reports of the Federal Trade Commission made pursuant to S.Res. 83 (Seventieth Congress, first session) and other reports made pursuant to the authority of Congress, it is declared that the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest, and that Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest.

"(b) The provisions of this act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, *but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.*" (Italics supplied.)

The question appears to have been settled in Federal Power Commission v. Panhandle Eastern Pipe Line Co. (1949) 76 PUR NS 129, 172 F2d 57, 58. There Panhandle (the appellant here in No. 37,924) in September, 1948, organized the Hugoton Producing Company, transferred to it gas leases on 97,000 acres of land in the Hugoton gas field in Kansas, reserving the option to purchase gas produced therefrom after a date named, paid Hugoton $675,000 in cash and took back from it all of its outstanding capital stock, which it undertook to distribute in dividends to its stockholders. The Federal Power Commission sued to enjoin the transfer because its approval of the transaction had not been obtained. From an adverse decision in the district court it appealed. The United States court of appeals, third circuit, affirmed, and in the opinion (by Goodrich) used the following language:

"The controversy here arises out of the statute known as the Natural Gas Act passed in 1938. That statute by its first section declares that Federal regulation in the matters of transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest. There is no doubt that Panhandle is transporting and selling natural gas in interstate commerce and that under § 1 of the act such transportation and sale by the company are subject to its provisions. The last sentence of the first section of the statute, however, carves out from the subject matter to

be regulated a very important exception. The words are: . . . 'but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas.' 15 USCA § 717(b). . . .

"That there is a connection between the handling of matters in a local gas field and interstate transportation and sale of gas cannot be denied. No doubt Congress could have gone much further than it did in fixing the scope of Federal regulation. But it clearly and intentionally drew a line short of where it could have gone."

On certiorari this was affirmed in Federal Power Commission v. Panhandle Eastern Pipe Line Co. (1949) 337 US 498, 502–505, 93 L ed 1499, 84 PUR NS 161, 164, 69 S Ct 1251, 1255, where it was held:

"Section 1 (b) of the Natural Gas Act, excluding 'the production or gathering of natural gas' from the Commission's jurisdiction left the transfer of gas leases to state regulation and outside the scope of the Commission's regulatory powers."

In the opinion, 337 US at pp. 509–513, 84 PUR NS at pp. 169, 170, 69 S Ct at p. 1258, it was said:

"The legislative history of this act is replete with evidence of the care taken by Congress to keep the power over the production and gathering of gas within the states. This probably occurred because the state legislatures, in the interests of conservation, had delegated broad and elaborate power to their regulatory bodies over all aspects of producing gas. (See, for example, Kansas Gen Stat §§ 55–701 to 55–713 (1947 Supp); Mich Stat Ann Chap 97, §§ 13.138 (1)–13.140 (10) (Supp 1947); Okla Stat Ann title 52, Chap 3, §§ 81–247; Texas Rev Civ Stat title 102, § 6008 et seq. (Vernon, 1925, with Supp 1948); La Gen Stat §§ 4766–4826.2.) The Natural Gas Act was designed to supplement state power and to produce a harmonious and comprehensive regulation of the industry. Neither state nor Federal regulatory body was to encroach upon the jurisdiction of the other. Congress enacted this act after full consideration of the problems of production and distribution. It considered the state interests as well as the national interest. It had both producers and consumers in mind. Legislative adjustments were made to reconcile the conflicting views."

[1] These decisions have not been set aside or modified. From them and from the statute itself it is clear that the Federal Natural Gas Act has no application to intrastate transportation or sale of natural gas, or to its local distribution, or to its production, or gathering. Certainly it was not designed to limit or destroy the authority of states in which natural gas is found to conserve natural gas and to prevent waste in its production, gathering, distribution, or sale. Congress made it clear such a result would not follow, and in doing so took cognizance of the specific Kansas statute here involved and of statutes of other states designed to conserve natural gas and to prevent waste in its production, gathering, distribution, or sale.

[2–6] Appellants contend the legislature has not given the Commission authority to fix a wellhead price for natural gas. We wish to make it clear

that appellants do not contend the state has no authority to fix such a price when it deems such action necessary to conserve natural gas, by a direct act of the legislature, or by an act specifically authorizing the Commission to do so. Indeed, we interpret their position as conceding the state has such authority. Hence, there is no purpose or necessity in discussing such authority here. We do no more than refer to the fact that as early as 1904, in La Harpe v. Elm Twp. Gas, Light, Fuel & Power Co. (1904) 69 Kan 97, 76 Pac 448, it was held:

"The production and distribution of natural gas for light, fuel, and power is a business of a public nature, the control of which belongs to the state."

That doctrine has inhered in our subsequent statutes and decisions.

Our first statute dealing specifically with "the production and conservation of natural gas" was enacted in 1935, Chap 213, Laws 1935, and was embodied in our General Statutes of 1935 as §§ 55–701 to 55–711. The statute was rewritten in 1945, Chap 233, Laws 1945, and now appears in G.S. 1947 Supp as §§ 55–701 to 55–713. The pertinent portions of the statute may be quoted or summarized as follows:

"That the production of natural gas in the state of Kansas in such manner and under such conditions and for such purposes as to constitute waste is hereby prohibited." G.S.1947 Supp 55–701.

"That the term 'waste' as herein used, in addition to its ordinary meaning, shall include economic waste, underground waste, and surface waste. Economic waste as used in this act, shall mean the use of natural gas in any manner or process except for efficient light, fuel, carbon black manufacturing and repressuring, or for chemical or other processes by which such gas is efficiently converted into a solid or a liquid substance. The term 'common source of supply' wherever used in this act, shall include that portion lying within this state of any gas reservoir lying partly within and partly without this state. The term 'Commission' as used herein shall mean the State Corporation Commission of the state of Kansas, its successors, or such other Commission or Board as may hereafter be vested with jurisdiction over the subject matter of this act." G.S.1947 Supp 55–702.

"That whenever the available production of natural gas from any common source of supply is in excess of the market demands for such gas from such common source of supply, or whenever the market demands for natural gas from any common source of supply can be fulfilled only by the production of natural gas therefrom under conditions constituting waste as herein defined, or whenever the Commission finds and determines that the orderly development of, and production of natural gas from, any common source of supply requires the exercise of its jurisdiction, then any person, firm, or corporation having the right to produce natural gas therefrom, may produce only such portion of all the natural gas that may be currently produced without waste and to satisfy the market demands, as will permit each developed lease to ultimately produce approximately the amount of gas underlying such developed lease and currently produce proportionately with other developed leases in said common

source of supply without uncompensated cognizable drainage between separately owned, developed leases or parts thereof. The Commission shall so regulate the taking of natural gas from any and all such common sources of supply within the state as to prevent the inequitable or unfair taking from such common source of supply by any person, firm, or corporation and to prevent unreasonable discrimination in favor of or against any producer in any such common source of supply. . . ." G.S.1947 Supp 55–703.

"The Commission shall promulgate such rules and regulations as may be necessary for the prevention of waste as defined by this act, the protection of all water, oil, or gas-bearing strata encountered in any well drilled in such common source of supply, ascertaining the several factors entering into the determination of the productive capacity of each well, the total productive capacity of all wells in the common source of supply, the establishment of such other standard or standards as the Commission may find proper to determine the productive capacity of each well and of all wells in such common source of supply, and as the Commission may find necessary and proper to carry out the spirit and purpose of this act: . . . ." G.S. 1947 Supp 55–704.

Other provisions of the statute pertain to procedure and other details which are not in question.

The dominant purpose of this statute is to prohibit waste of natural gas in Kansas, not only in the manner and under the conditions of its production, but for such purposes as would constitute waste. In order that the term "waste" should not be narrowly construed the statute makes it clear that it is to include economic, underground, and surface waste, and the term "economic waste" is defined. These provisions were for the purpose, if necessary, of expanding the meaning of the term "waste" and not for the purpose of limiting such meaning. The statute also deals with the rights of owners of property under which there is a common source of supply of natural gas. We think the statute is broad enough to authorize the Commission to make any rule or order to prohibit waste of natural gas, upon proper application made to it, if the evidence discloses waste in the manner or conditions or purpose of its production. It is true the statute did not specifically authorize the Commission to fix a wellhead minimum price to be paid for gas produced. It did not forbid the Commission to do so if and when the evidence disclosed the fixing of such price would tend to prevent waste and the inequitable and unfair taking of gas from a common source of supply. Hence, the legal question presented by appellants, that the statute did not authorize the Commission to make the interim order complained of, is not well taken.

We shall not attempt a detailed recital of the evidence upon which the Commission apparently relied in fixing a minimum wellhead price of 8 cents per thousand cubic feet of gas to be taken from the Hugoton field. The testimony is lengthy and explained or illustrated by numerous maps, charts, and tables of figures. The witnesses who testified upon the subject were well educated along those lines and had years of experience in

the production and marketing of gas and economics as applied thereto, and were outstanding writers upon that subject. Their qualifications were not questioned, neither was there any contention that any of them in any way was biased or prejudiced. They gave it as their judgment that one of the best ways to conserve gas and prevent waste in the Hugoton gas field is to fix a minimum wellhead price for gas. The lowest figure stated by any of them was 8 cents per thousand cubic feet. Others put the minimum figure higher. This evidence was not contradicted by the appellants. They appear to have presented their defense before the Commission and the trial court, and their appeal here is upon legal questions and not upon questions of fact. We think the Commission was justified in finding upon the evidence before it that to prevent waste of gas in the Hugoton field a minimum wellhead price of 8 cents per thousand cubic feet was justified, and that the trial court correctly found the order of the Commission in this respect to be reasonable. We take note of the fact that the Commission did not regard this as a final order. The order was made upon the evidence then before the Commission, which on its own motion transferred the matter to docket No. C-164 for further study.

[7] Appellants contend the order of the Commission constitutes a special law, being limited solely to the Kansas Hugoton gas field, and therefore violates § 17, Art 2, of our Constitution, which reads:

"All laws of a general nature shall have a uniform operation throughout the state; and in all cases where a general law can be made applicable, no special law shall be enacted; and whether or not a law enacted is repugnant to this provision of the Constitution shall be construed and determined by the courts of the state."

This provision of our Constitution was intended to apply to laws enacted by the state legislature. Appellants contend it has been held to apply to any law purporting to be made by public authority and cite some authorities from other jurisdictions tending to support that view. No case in Kansas is cited as supporting that view under our Constitution. But we need not decide that question here. The court takes judicial notice of the fact that the Hugoton gas field in Kansas differs in many respects from any other gas field in the state. We think the order is not void because it applies only to the Hugoton gas field.

Appellants contend the order contravenes the interestate compact to conserve oil and gas, G.S.1935, 55–803 to 55–808, incl., as extended. The point is not well taken. The declared purpose of the compact, as stated in Article II thereof, is "to conserve oil and gas by the prevention of physical waste thereof from any cause." And in Article III, after listing six particulars in which the states joining in the compact agreed to enact laws or to continue them in force for the prevention of waste, contains this language: "The enumeration of the foregoing subjects shall not limit the scope of the authority of any state." We see nothing in the compact that would prevent our state from enacting the statutes under which the Commission operated.

Appellants contend the interim order complained of violates their exist-

ing contracts for the purchase of gas. The point is not well taken. Appellants obtain the gas which they pass through their pipelines in one of two ways,—by purchase or by production. The standard form gas purchase price used by the appellants in the Hugoton gas field contains this clause:

"Contract subject to present and future orders, rules, and regulations of duly constituted authorities having jurisdiction."

By this the parties anticipated modification of the contract by a duly constituted authority having jurisdiction. Under our previous holdings herein the Corporation Commission is such a body. The appellants get some of the gas from wells under ordinary gas leases with the owners of real property. These leases do not attempt to fix any price for the lessor's royalty. The pertinent provision in the lease reads:

"The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth of its market value at the well."

The result is the appellants have no prior contracts which will be violated by the order complained of here.

Other points argued by the appellants have been considered and found to be without substantial merit.

The judgment of the trial court is affirmed.

PRICE, J., dissenting: I am unable to agree to the result reached in the opinion written for the court and will state my views very briefly.

In doing so I do not propose to debate the merits of the question whether the Commission should or should not have power to fix the price of natural gas at the wellhead in the Hugoton or any other gas field. As I see it the question is—*does it possess such power under the statute?* The Commission has only such powers as have been conferred upon it by the legislature. Nowhere in the provisions of G.S.1947 Supp 55–701, 702, 703 and 704 do I find any such authority granted. In fact, at the 1947 session of the legislature, H. B. 129 specifically empowered the Commission ". . . to fix a minimum price at which gas may be purchased at the wellhead. . . ." It is true that this bill, which passed both houses of the legislature, was vetoed by the governor and therefore did not become a part of our law—but, in my opinion it was definitely a legislative recognition of the fact that no such power previously existed. In the absence of such statutory authority I am unwilling to say that an administrative agency, board, or commission possesses the power to do what was done here and for that reason I think the order of the Commission was unlawful and should be set aside.

Wedell, J., concurring.

On Rehearing

HARVEY, CJ.:

[8] In their motion for rehearing counsel for appellants contend that since the large percentage of the gas produced or purchased by appellants in the Hugoton gas field is transported in interstate commerce and sold for resale in other states the authority to determine a wellhead value of gas and to make a price-fixing order is vested in the Federal Power Commission un-

der the Natural Gas Act (15 USCA 717) and not in the State Corporation Commission, citing Interstate Nat. Gas Co. v. Federal Power Commission (1947) 331 US 682, 91 L ed 1742, 69 PUR NS 1, 67 S Ct 1482, as having fully determined the matter. The point is not well taken and the case cited does not support that view. The opinion cited and the opinions in the same case in the inferior courts clearly demonstrate the contrary. The case originated by a complaint filed in 1939 by the Louisiana Public Service Commission with the Federal Power Commission, complaining of rates for the sale of gas in Louisiana, transporting it interstate by the Interstate Natural Gas Company. On December 5, 1939, the Federal Power Commission enlarged the scope of the investigation to include the reasonableness of all of Interstate's wholesale and transportation rates under the provisions of the Natural Gas Act. The cities of New Orleans and Baton Rouge were permitted to intervene. Pursuant to notice and after pretrial conferences, hearings were had in June and July, 1942. Pending the consideration of the matter, Interstate voluntarily reduced rates for the sale of its gas. After a full investigation of the matter the Federal Power Commission made an order requiring Interstate to file a new schedule of rates and charges for the transportation and sale of natural gas in interstate commerce to its customers for resale for ultimate consumption, in amount not less than $1,100,345 annually, computed upon the amount of gas sold in 1941. (See [1943] 3 FPC 416 to 435, 48 PUR NS 267.) It appears this schedule of rates reduced the price to the other pipeline companies from 7.39 cents to 4.66 cents per thousand cubic feet. The Interstate petitioned the United States circuit court of appeals to review that part of the order. The court's opinion is reported in (1946) 65 PUR NS 1, 156 F2d 949. There Interstate contended, (1) "that the sales were not within, but were expressly excluded from, the jurisdiction of the Commission; and (2) that the order as to them is confiscatory." On the first point Interstate relied on the language of the act and what is called "authorized statements of commission representatives," and "legislative history." The court said:

"On the jurisdictional point, we think the language employed in the bill as it finally passed, 'The provisions of this act shall apply . . . to the sale in interstate commerce of natural gas for resale for ultimate public consumption . . . and to natural gas companies engaged in such transportation or sale' leaves in no doubt that the sales in question are within its purview. That they are sales in interstate commerce, we think is settled by the authorities. That the gas was sold for resale for ultimate public consumption, we think may not be doubted. (This was conceded before the Federal Power Commission, see 3 FPC at p. 419, 48 PUR NS at p. 271.) This being so, the exception of the statute that it shall not apply to 'any other . . . sale of natural gas' is unavailing to petitioner, for if the sale is the kind named in the first-quoted clause, it certainly cannot be 'any other sale.'"

There is further discussion on this point in which the court cites Peoples

Nat. Gas Co. v. Federal Power Commission (1942) 75 US App DC 235, 44 PUR NS 375, 127 F2d 153, and Canadian River Gas Co. Case (1945) 324 US 581, 602, 603, 89 L ed 1206, 58 PUR NS 65, 79, 65 S Ct 829, 839. The court pointed out that the portion of the petitioner's brief devoted to legislative history shows that it does not distinguish between the Lee bill, House Bill No. 11,662, proposed in 1936 but never passed, and the bill which became the law now under review, and said:

"Legislative history 'cannot be resorted to for the purpose of construing a statute contrary to the natural import of its terms. . . . If the language be clear, it is conclusive.' (Citing cases.) . . . Certainly the legislative history of a bill that was not adopted cannot be resorted to to construe a bill that was. . . .

"The purpose of the Natural Gas Act, as shown in the Senate and House Committee reports, which are identical, was to provide for the regulation of natural gas companies transporting and selling natural gas in interstate commerce. Its proponents were not interested in the production of gas *or the individual sales of gas at the well.* Nor were they interested in the gathering of the gas in the field. What they were interested in, as the report in terms states, what they were trying to reach, was wholesale sales of gas." (Our emphasis.)

This is followed by further quotation from the report.

Since the sales in question were to other natural gas companies the court sustained the jurisdiction of the Federal Power Commission. On the point argued, that the reduction was confiscatory, the court held that the order to reduce rates must be considered in its entirety, and since it did permit a reasonable return upon Interstate's investment details of the order would not be considered separately even though the Commission suggested evidence that would have sustained it had it been considered alone. The United States Supreme Court granted certiorari limited to the question of jurisdiction, which it considered thoroughly and sustained the judgment of the court of appeals, and this is the opinion relied upon now by appellant. Not in any of the opinions was there any indication that the Federal Power Commission considered a wellhead price of gas, or did anything indicating that it had authority to do so.

The case now relied upon by appellant was cited in Federal Power Commission v. Panhandle Eastern Pipe Line Co. (1949) 76 PUR NS 129, 172 F2d 57; (1949) 337 US 498, 93 L ed 1499, 81 PUR NS 161, 69 S Ct 1251, cited and relied upon in our opinion, and there no such interpretation was given to it as appellant now contends that it deserved. We have examined all the cases construing the Natural Gas Act which were cited by appellants in their brief, and many others, and do not find any of them in which the Federal Power Commission attempted to or claimed authority to fix a wellhead price for gas. On the other hand, we do find cases in which the Federal Power Commission construes the cost of gas at the wellhead as an operating expense of the Interstate Natural Gas Company irrespective of what that price may be. For example, see Re Cities Service

Gas Co. (1943) 3 FPC 459, 50 PUR NS 65.

Aside from Interstate Nat. Gas Co. v. Federal Power Commission, *supra,* upon which appellants rely so heavily in the motion for rehearing, and which, obviously, they have not studied sufficiently to realize that it has no application to this case, the motion for rehearing does but little more than reargue questions previously argued and which were considered and treated in our opinion or found to have no substantial merit. They do rely somewhat upon the dissenting opinion. The points raised therein had been considered and disapproved by the court when the opinion was written. We find no necessity to go over these matters in detail.

We do call attention to the opinions of the United States Supreme Court in Cities Service Gas Co. v. Peerless Oil & Gas Co., decided December 11, 1950 (340 US —, 95 L ed —, 87 PUR NS —, 71 S Ct 215), which affirmed the supreme court of Oklahoma in Cities Service Gas Co. v. Peerless Oil & Gas Co. (1950) — Okla —, 85 PUR NS 412, 220 P2d 279, which affirmed an order of the Corporation Commission of the state of Oklahoma which fixed prices at the wellhead on natural gas produced within the state and sold interstate under statutes substantially as our own.

When we wrote our opinion in this case we were familiar with the decision of the supreme court of Oklahoma, but we preferred not to cite it, since appeals had been taken from it to the United States Supreme Court. The decision of that court on those appeals was adverse to the contention of the appellants here upon all of the controlling points urged by them.

There is no need for us to say more. The motion for rehearing is denied.

At their specific request, Mr. Justice Wedell and Mr. Justice Price are noted as adhering to their dissent in the original opinion.

KANSAS CORPORATION COMMISSION

Re Moundridge Telephone Company Incorporated

Docket No. 40,677-U
November 29, 1950

PROCEEDING *by Commission to investigate collection of unauthorized rates and charges for telephone service; jurisdiction of Commission asserted and charging of unauthorized rates prohibited.*

Commissions, § 41 — Jurisdiction — Company not a one-city utility — Outside telephone connections.

1. A telephone company whose patrons in the city where it operates have

connections with rural areas in three counties, an unincorporated town, residents on rural routes, subscribers of connecting companies, and a nationwide telephone system is not a "one-city utility" within the meaning of a statute exempting from Commission jurisdiction a company situated and operated wholly or principally within any city or principally operated for the benefit of such city or its people, p. 113.

Rates, § 246 — Change in telephone schedule — Necessity of Commission approval — Company which is not a one-city utility.

2. A telephone company which is not a "one-city utility" within the meaning of a statute exempting such a utility from Commission regulation and placing it under municipal control, but which is subject to Commission jurisdiction by reason of outside connections, is without authority to make any change in rates without the consent of the Commission, p. 113.

By the COMMISSION: These proceedings were instituted by the Commission on its own motion, pursuant to G. S. 1935, 66–110. Respondent herein, The Moundridge Telephone Company Inc.,[1] is a corporation organized in 1904, to engage in the general telephone business as a public utility at Moundridge, Kansas.

With the passage of the organic public utility act of 1911,[2] the Moundridge Company began to make annual reports to the Commission as required by that act, and did from the very beginning file such reports with the Commission up to and including the year 1949, except 1917 where the records are not clear as to whether a report was filed or not. It has had both formal and informal matters before the Commission in previous years, including authority to increase its rates in Docket No. 3255 entered August 13, 1920. Apparently, the Moundridge Company and the Commission assumed that the Moundridge Company was a public utility subject to the jurisdiction of the Commission as provided for by G. S. 1935, 66–104, as amended.[3]

A brief narration of events giving only essential details leading to the institution of these proceedings is deemed advisable.

After the filing of the 1949 report by the Moundridge Company on February 25, 1950, the Commission received a communication from the attorney for the Moundridge Company dated March 24, 1950, enclosing a copy of Ordinance No. 387 of the city of Moundridge, Kansas, approved March 7, 1950, in which said ordinance purported to grant to the Moundridge Company a franchise to engage in the telephone business in that city, including inter alia, a schedule of rates and charges for telephone service for patrons residing both outside and inside the city of Moundridge.

On April 4, 1950, the Commission's general counsel addressed a letter to the Moundridge Company which in substance related that the Commission's position was that the Moundridge Company was subject to the jurisdiction of the Commission and no changes in rate schedules and services should be made without the consent of the Commission.

[1] Hereafter referred to as Moundridge Company.

[2] Laws 1911, Chap 238. Now G. S. 1935, Chap 66 as amended.

[3] Laws 1949, Chap 335.

The Moundridge Company nevertheless placed in effect the rates and charges as embodied in the ordinance of the city of Moundridge above referred to; the result of which was the issuance of the order to show cause in the instant docket entered by the Commission on September 19, 1950. An application for rehearing of the order to show cause was denied on October 6, 1950.

After due notice to all parties of interest, a public hearing was held on the order to show cause at the Commission's hearing room in Topeka on October 24, 1950.

The Respondent's Contention

[1, 2] The contention of the Moundridge Company here is that it is a so-called "one-city utility," which is exempt from the jurisdiction of the Commission by the provision of G. S. 1935, 66–104, as amended.

The Facts

There is little if any dispute as to facts here involved. According to the last annual report of the company, the company at the close of the year had 350 company-owned telephones in service, all of which were in the city of Moundridge, excepting only possibly five or six.

The Moundridge Company further renders service in rural areas in portions of three counties, namely, McPherson, Harvey, and Marion, to patrons who own their own instruments and lines through the type of service that is commonly known as "switcher service." The number of subscriber-owned telephones connected with the company switchboard at Moundridge according to the 1949 annual report was 431, making a total of 781 telephones in service at the close of that year. Thus it can be seen that the majority of telephones in service at the close of the year were those embraced in rural areas of the three counties heretofore mentioned.

In addition, the Moundridge Company maintains a line connecting with the Hesston Telephone Company [4] of Hesston, Kansas, in Harvey county. The length of the line is 9 miles with each company owning one-half of the mileage. There is still another line which the Moundridge Company owns in part with the Goessel Telephone Company [5] at Goessel in Marion county. This line has a total mileage of 13 miles with the Moundridge Company owning 7 miles and the Goessel Company owning 6 miles.

Neither of the three companies make any charges for tolls over these lines through all of the three exchanges.

At the close of the 1949 year the record reflects that the Hesston Company had a total of 319 phones connected to its system and the Goessel Company had a total of 464 telephones connected to its system. In other words, any of the 781 telephones of the Moundridge exchange may be connected with any of the 464 telephones at Goessel, including city and rural, and also may be connected to any of the 319 telephones at Hesston, including city and rural without payment of any toll charges. Another example is that any of the 350 company-owned telephones in the city of Moundridge may be connected with any of the 464 telephones at Goessel, the 319 tele-

[4] Hereafter referred to as Hesston Company.
[5] Hereafter referred to as Goessel Company.

phones at Hesston, and the 431 subscriber-owned rural telephones at Moundridge without the payment of any toll charges, either coming in or going out of the city of Moundridge.

The Moundridge Company has a contract for long-distance telephone service with the Southwestern Bell Telephone Company, a company whose intrastate operations are under the jurisdiction of the Commission. The Southwestern Bell Telephone Company is one of the operating companies of the Bell System and by this contract the Moundridge Company has connections with the entire Bell System and its affiliates.

The record also discloses that for the years 1948 and 1949 the bulk of the telephone income of the Moundridge Company was received from toll revenue and the revenue from the 431 subscriber-owned telephones.

From the annual reports of the company filed with this Commission over the past few years it is apparent that considerably less than one-half of the revenue of the Moundridge Company is received from the company-owned telephones in the city of Moundridge. The record also shows that the Moundridge Company is serving Elyria, an unincorporated village, which is closer to the city of McPherson than Moundridge.

Among the patrons of the company are some who live on rural routes out of cities other than Moundridge, namely Halstead, Canton, Galva, Burrton, McPherson, Inman, and Hesston. It is also pointed out that some of the patrons of the Moundridge Company live as far away from Moundridge as eleven or twelve miles and are in some instances in trade territories of other cities in three counties.

The charges for service for the subscriber-owned telephones are collected and paid for by voluntary associations, however, toll charges for the subscriber-owned telephones are the responsibility of the individuals owning the instruments and are paid directly to the Moundridge Company and not through any other persons or associations. The manager of the company on cross-examination testified that a substantial number of the rural patrons use the long-distance service of the Moundridge Company which is through the Bell System, and that a substantial number of long-distance calls were made monthly by rural patrons, all of which is reflected in the toll revenues in Exhibit No. 6.

The Moundridge Company currently has authority to issue 300 shares of common stock of which only 208 shares have been sold. There is no authority for the issuance of any preferred stock. The 1949 annual report also reflects that the company paid dividends in the year 1949 on the common stock in the amount of $627. The annual reports of the company in the past decade or so are evidencing that dividends have been paid each year with exceptions of only one or two. The respondent points out that the dividends thus paid are not in the form of cash dividends, but are applied as a credit against the stockholders' accounts with the company. Owning stock in the company is not a prerequisite for the furnishing of service by the company either through a company-owned telephone or a subscriber-owned telephone.

It is clear that a majority of patrons connected to the Moundridge exchange do not own any common stock.

The Moundridge Telephone Company prior to its recent change in rates, without the Commission's approval, had in effect rates that were granted by the Commission in Docket No. 3255 entered on August 13, 1920, pursuant to an application filed by the company with the Commission on February 4, 1920. The rates in Docket No. 3255 down to the present time have never been altered, amended, or changed in any respect by action of the Commission, except possibly in only one minor detail which is of no import here.

In ordinance No. 387, the city of Moundridge went so far as to prescribe rates and charges for service to patrons who do not live within the city limits. The ordinance did not propose to make any changes in the interstate or intrastate tolls and likewise no provision was made for any changes in the arrangement of the so-called "free" lines between Moundridge and Goessel and Moundridge and Hesston.

As pointed out previously the territory served by the Moundridge Company includes rural areas extending several miles in all directions from Moundridge in McPherson county and extending in part to Harvey and Marion counties, in addition to the service without payment of toll charges to Hesston and surrounding areas and Goessel and surrounding rural areas.

The Question Involved

The exclusive question here involved is whether or not the Moundridge Telephone Company of the Moundridge Company is a "one-city utility" within the meaning of G. S. 1935, 66–104 as amended. If it is a "one-city utility" then the Commission is without jurisdiction. If it is not a "one-city utility," as far as rates and charges are concerned, the jurisdiction of the Commission is exclusive and may not be delegated to or usurped by the city of Moundridge.

Neither the reasonableness of the rates purported to be set by the city of Moundridge ordinance, nor the authority of the Commission under G. S. 1935, 66–117, if it has jurisdiction over the company, are here at issue.

The Statute Relating to Jurisdiction

The authority as to jurisdiction of the Commission over public utilities is found in Laws of 1949, Chap 335, and reads as follows:

"The term 'public utility,' as used in this act, shall be construed to mean every corporation, company, individual, association of persons, their trustees, lessees, or receivers, that now or hereafter may own, control, operate, or manage, except for private use, any equipment, plant, generating machinery, or any part thereof, for the transmission of telephone messages or for the transmission of telegraph messages in or through any part of the state, or the conveyance of oil and gas through pipelines in or through any part of the state, except pipelines less than 15 miles in length and not operated in connection with or for the general commercial supply of gas or oil, or for the operation of any trolley lines, street, electrical, or motor railway doing business in any county in the state; also all dining-car companies doing

business within the state, and all companies for the production, transmission, delivery, or furnishing of heat, light, water, or power: *Provided,* that this act shall not refer to or include mutual telephone companies. That mutual telephone companies, for the purposes of this act, shall be understood to mean any coöperative telephone company operating only for the mutual benefit of its subscribers without profit other than in the service received. Nothing in this act shall apply to any public utility in this state owned and operated by any municipality. The power and authority to control and regulate all public utilities and common carriers situated and operated wholly or principally within any city or principally operated for the benefit of such city or its people, shall be vested exclusively in such city, subject only to the right to apply for relief to the Corporation Commission as hereinafter provided in § 66–133 of the General Statutes of 1935. A transit system principally engaged in rendering local transportation service in and between contiguous cities in this and another state by means of street railway, trolley bus and motor bus lines, or any combination thereof, shall be deemed to be a public utility as that term is used in this act and, as such, shall be subject to the jurisdiction of the Commission."

Thus it may be seen from the foregoing statute that the legislature specifically exempted from the jurisdiction of the Commission:

1. Utilities that are municipally owned.

2. Strictly mutual telephone companies.

3. One-city utilities.

It is obvious that the Moundridge Company falls in neither of the first two categories, nor is it so contended by the company.

In this instance it is pellucid that the Moundridge Company in addition to rendering telephone service in Moundridge proper is furnishing telephone service to a large rural area embraced in parts of three counties.

The Moundridge Company has a contract for long-distance service with one of the operating companies of the Bell System, which with its far-flung organizations reaches to all corners of the world and is the largest communications system in the world.

It owns and operates in partnership lines to the city of Hesston in Harvey county and to the city of Goessel in Marion county, where both lines furnish service to a substantial number of citizens over which obviously the city of Moundridge has no jurisdiction.

The summative facts show conclusively that the 350 patrons of the Moundridge Telephone Company residing in the city of Moundridge have connections with:

1. A rural area embracing parts of three counties to 431 subscriber-owned telephones.

2. The unincorporated town of Elyria, a distance of 8 miles from Moundridge by U. S. Highway 81.

3. Residents residing on the rural routes or in trade territories of at least seven other towns.

4. A line connecting with the Goessel Company at Goessel that has 464 subscribers in both the city and rural areas.

5. A line connecting with the Hesston Company at Hesston that has 319

subscribers in both the city and rural areas.

6. The Bell System, the largest telephone system in the world with connections not only in Kansas and the United States, but throughout the world.

Authorities

A land-mark case and one that clearly demonstrates the rules in the determination as to what constitutes a "one-city utility," is State ex rel. Dawson v. Leavenworth City & Ft. L. Water Co. (1914) 92 Kan 227, 140 Pac 103. Pertinent facts there are that the city of Leavenworth granted a franchise to the water company to use the streets and alleys of the city for the laying of water mains and furnishing of the water to the city and its inhabitants. In due course of time the water company began furnishing water to various individuals in and outside of Leavenworth, including parks, public schools, United States military prison, Federal prison, Fort Leavenworth, Soldiers' Home, hospitals, and charitable organizations. It is pointed out here that facts in the Leavenworth Case do not indicate that the water company built its lines outside the city of Leavenworth, but that it *furnished service* to individuals and certain institutions outside the city limits.

The opinion further points out that of the entire value of the defendant's plant ($720,000), not less than $490,000 was devoted to the service of the city of Leavenworth and consumers therein.

The court said: "It is quite obvious from the admitted facts that under the terms of the statute defendant's plant cannot be deemed a utility 'situated and operated wholly or principally' within the city, nor can it be said to be 'principally operated for the benefit of such city or its people.' The evident purpose in adopting the law was to provide for uniformity throughout the state in the control and regulation of public utilities, and in the rates to be charged by them, and to create a special tribunal for that purpose." (92 Kan at p. 230.)

The syllabus in this case reads as follows: "Upon the facts stated in the opinion it is held that a waterworks company engaged in supplying water to the city of Leavenworth and its inhabitants, and also to the United States military prison, the Federal prison, Fort Leavenworth, the National Soldiers' Home, and other public and private institutions outside the city (four-ninths of the total amount of water furnished being to outside consumers) is within the provisions of § 3 of Chap 238 of the Laws of 1811, and therefore subject to the control of the Public Utilities Commission."

It is stressed here that the court in the opinion referred to *"supplying water"* and not to the owning of any physical plant outside of the city. The syllabus is also important in this respect in that it relates that four-ninths of the total amount of water *furnished* was being *furnished* to consumers *outside* Leavenworth.

The court in this case held that the water company was a public utility within the intent of the legislature as being subject to the supervision and control of the Commission.

In the present proceeding it is obvious that the total number of telephones receiving *service* from the Moundridge Company outside the city

of Moundridge is in excess of four-ninths of the total. It is also apparent that of the total revenue received by the company in 1949 and prior years over one-half of it was received from toll revenues over the Bell System and the revenue received from the subscriber-owned telephones in the rural area outside of Moundridge. The Moundridge picture is even stronger and more clear than the one outlined in the Leavenworth Case.

In an earlier case, State ex rel. Marshall v. Wyandotte County Gas Co. (1912) 88 Kan 165, 127 Pac 639, a utility was furnishing gas to two cities within the same county. The utility maintained that it was authorized to advance its rates under ordinances passed by the mayor and council of the respective cities and that such ordinances became contracts inviolate. The action involved there was one by the Public Utilities Commission to enjoin the gas company from increasing its rates in the two cities. The court held in that case that the jurisdiction of the utility was that of the Commission and not of the respective cities. A strong contention of the gas company was that the Commission jurisdiction is confined to intercounty and statewide utilities. This view the court did not adhere to.

The supreme court of Kansas in the case of the Emporia v. Emporia Teleph. Co. (1913) 90 Kan 118, 133 Pac 858, followed the case of State ex rel. Marshall v. Wyandotte County Gas Co. *supra,* in holding that a telephone company located in a city and operating exchanges and toll lines in the same county and in four adjacent counties and six other towns was a public utility under the jurisdiction of the Commission and not the respective city.

The case of State ex rel. Helm v. Trego County Co-op. Teleph. Co. 112 Kan 701, PUR1923C 539, 212 Pac 902, brings up an interesting case which has marks of similarity to these proceedings. The facts as disclosed in that case are that the Wakeeney Telephone Company had for many years conducted a public telephone business in and about Wakeeney, including a rural line running twelve or fifteen miles south of Wakeeney. The Farmers Mutual Telephone Company of Ransom was originally a mutual telephone concern which rendered service to its members only; however, nonmembers living north of Ransom, including one Barber and others, constructed a line from which service was rendered by the Ransom Mutual Company in the same method as to its original mutual subscribers.

Later this particular line was connected with the Wakeeney line, referred to above, thereby giving through service for the patrons of the Wakeeney line to Ransom and vice versa. It is to be observed that none of these lines, except that of the Wakeeney Company, were originally dedicated for public service, as they were designed to be strictly mutual lines. Gradually, however, business of the general public was accepted and charges were made and paid for such business. The Ransom Mutual Company rented telephones to nonmembers in Ransom and eventually made an arrangement with the United Telephone Company, a trunk-line concern, whereby it secured connections beyond its own lines for which it exacted and received a portion of the regularly

prescribed charges for long-distance tolls.

In this manner the Wakeeney Company subscribers were supplied with long-distance service through its own lines, through the Farmers Mutual line, by the line connection north of Ransom, through the Ransom Company lines, through its local exchange and connection with the trunk line where as the court said, was "to the outside world."

The Trego County Cooperative Telephone Company was subsequently organized and entered into an agreement with the Ransom Mutual Company and the Barber line for mutual free telephone exchange. A short time later some interested parties severed the line connecting the Wakeeney Company line with the Barber line north of Ransom, thus interrupting and disconnecting the public utility service theretofore furnished by the Wakeeney line, the Barber line, the Ransom line, and the United long-distance line which was again as the court said, "to the outside world."

An original proceeding in mandamus was brought to compel the defendants to restore telephone service which had theretofore been furnished to the public by the defendants and which had been disconnected without the consent of the Commission. The essence of this case is that the court held a mutual telephone company and the owners of a rural mutual telephone line operated in connection therewith, making traffic connections with a public telephone line and enlarging their business by renting telephones to nonsubscribers and permitting their properties to be used for several years as a public utility system were subject to the supervision and control of the Commission.

In syllabus 1 of this case the court said:

"When a mutual telephone company and the owners of a rural mutual telephone line operated in connection therewith make traffic connections with a public telephone line and enlarge their business by renting telephones to nonsubscribers, and permit their properties to be used for several years as a public utility system, their telephone business is subject to the supervision and control of the Public Utilities Commission, and the public telephone service thus conducted may not be discontinued without the consent of such Commission, ..."

In syllabus 2 the court further said:

"The fact that the defendants' lines were originally designed for mutual service only, and that they never applied for and never received a certificate of convenience from the Public Utilities Commission, as prescribed by § 31 of the Public Utilities Act, General Statutes of 1915, § 8359 [Now G. S. 1935, 66–131], is no defense to an action in mandamus requiring the restoration of a public service in which the defendants were engaged, and to which their property was devoted for several years, when such service was discontinued without the consent of the Public Utilities Commission."

In the matter now before us, the Moundridge Company is not in nearly the favorable position as were the defendants above, because by no stretch of imagination can the Moundridge Company be classified as a mutual company. It is a corporation owned by about 200 stockholders that fur-

nishes the service in and out of the city of Moundridge to nonstockholders.

Perhaps conceivably the Moundridge Company could be a "one-city utility" if it was limited strictly to the confines of Moundridge; had no connections with the Bell System; rendered no service to subscriber-owned telephones in the rural areas and had no connections with the Hesston and Goessel companies and their patrons. To be sure, such a telephone system that was located within a given city would essentially be no more than an intercommunication system and would have no contact with the outside world.

It is doubtful whether such an intercommunication system could financially survive, because the evidence is clear that the Moundridge Company must receive substantial revenues from sources of the "outside world." If it was not for the revenues from the tolls through the Bell System and its connections and the revenues from the rural patrons who own their own telephones and lines, it is highly improbable if the Moundridge Company could exist, to say nothing of the regular payment of dividends to its stockholders whether in the form of cash, rebates, or credits.

The respondent's brief referred to four cases in support of its contention, which it is well to consider at this point. The first is the case of Welsbach Street Lighting Co. v. Public Utilities Commission (1917) 101 Kan 438, 166 Pac 514, where the court enunciated the rule that a company engaged *exclusively* in the business of street lighting in the city of Scammon was a public utility service, but that the control of such utility was vested in the city and not in the Public Utilities Commission.

In a lengthy opinion denying rehearing, 101 Kan 774, PUR1918B 564, 169 Pac 205, LRA1918D 310, the supreme court elaborated on its memorandum opinion filed earlier in the year. In the memorandum opinion, as well as in the opinion denying rehearing, it is pointed out that the lighting company was performing a street lighting service in Scammon, where it had a contract with the city to establish and maintain street lamps and to light the city streets. The lighting company admittedly was furnishing the same service to other cities, but in nowise was there *any* physical connection between Scammon and the other cities. The court in that opinion very pointedly said:

"This court will always extend a very liberal interpretation of the public utilities act so as to give the Public Utilities Commission effective use of its lawful powers over the utility companies lawfully subject to its control. Even where it is strongly debatable whether the utility's business is or is not confined principally to one town or city, this court is inclined to resolve the doubt in favor of the Commission's authority. (State ex rel. Dawson v. Leavenworth City & Ft. L. Water Co. [1914] 92 Kan 227, 231, 140 Pac 103.) This is wisely so, because wherever the business of a public utility company extends outside the limits of one city, even in a relatively small degree, complications as to the control of that service are likely to arise, or such outside service may go unregulated altogether unless the supervision of the state Commission is

recognized." (101 Kan at p. 777, PUR1918B at p. 567.)

The difference between the Scammon Case and the one at bar is that the lighting company in that case had no connections running from its operations in that city to any other city. In other words it operated a street lighting system at Scammon, without tieing in to any other of its facilities.

The next case is Humphrey v. Pratt (1914) 93 Kan 413, 144 Pac 197, wherein there was involved a municipally owned light plant. That case is not in point because municipally owned plants are specifically exempt from the jurisdiction of the statute as herebefore cited, and the Moundridge Company is not a municipally owned utility.

The portion quoted by the respondent from Welsbach Street Lighting Co. v. Public Utilities Commission, *supra,* in Hutchinson v. Hutchinson Gas Co. 125 Kan 346, PUR1928C 493, 264 Pac 68, is neither applicable nor in point.

The last case cited by the respondent is Kelty v. Burgess (1911) 84 Kan 678, 115 Pac 583, wherein the court discoursed on the word "principal" in interpreting a statute which referred to "sole or principal beneficiary." It appears to us that such a definition would have no application here because it would fall of its own weight for two reasons. The first being that the bulk of the revenue received by the Moundridge Company is received through utilization of facilities of the Bell System and the subscriber-owned telephones and lines. Secondly, it is an inescapable fact that the majority of the patrons receiving service through the Moundridge exchange do not live in the city, over which obviously the city cannot exert or acquire jurisdiction.

The respondent's brief wholly fails to take cognizance by either reference or comment on State ex rel. Marshall v. Wyandotte County Gas Co. (1912) 88 Kan 165, 127 Pac 639; State ex rel. Dawson v. Leavenworth City & Ft. L. Water Co. (1914) 92 Kan 227, 140 Pac 103; and State ex rel. Helm v. Trego County Co-op. Teleph. Co. 112 Kan 701, PUR1923C 539, 212 Pac 902. All three apposite cases involve the jurisdictional question of the Commission relating to public utilities.

Conclusion and Findings

1. The Commission is of the opinion and it so finds that the Moundridge Telephone Company Inc., is a utility subject to the jurisdiction of the Commission, pursuant to the Laws of 1949, Chap 335.

2. The Commission further finds that the Moundridge Telephone Company Inc., is without authority to make any change in rates, joint rates, tolls, charges, or classifications, or schedules of charges or in any rule or regulation or practice pertaining to the service or rates of such utility without the consent of the Commission, pursuant to G. S. 1935, 66–117.

Order

It is, therefore, by the Commission *ordered:* That the Moundridge Telephone Company Inc., forthwith cease and desist collecting, receiving, and accepting in any manner revenues in payment or settlement of any rates, joint rates, tolls, charges, classifications, or schedules of charges not in ac-

cordance with the order in Docket No. 3255, entered on August 13, 1920, excepting those rates, joint rates, tolls, charges, classifications, or schedules of charges pertaining solely to long-distance tolls which are currently on file with the Commission.

By the Commission it is so *ordered*.

GEORGIA PUBLIC SERVICE COMMISSION

Re Georgia Power & Light Company

File No. 19313, Docket No. 8-U
November 30, 1950

RULE NISI *to electric company to show cause why the Commission should not prescribe a rate reduction; rate reduction ordered.*

Valuation, § 104 — Rate base determination — Accrued depreciation — Reserve.

An electric company's full depreciation reserve, including transfers to the reserve to eliminate inadequacy resulting from insufficient depreciation charges in the past, should be deducted in the determination of a fair rate base, since present customers should not be penalized for the past failure of the company to set aside a sufficient amount for depreciation expense.

APPEARANCES: T. Guy Connell, Counsel, Valdosta, and O. S. Vogel, St. Petersburg, Florida, for the company; J. E. Mathis, Mayor, Valdosta, J. B. Copeland, Attorney, Valdosta, R. E. Dasher, Valdosta, George L. Converse, Attorney, Valdosta, George T. Smith, Attorney, City of Cairo, B. A. White, Mayor pro tem, City of Cairo, John W. Walker, Manager Water & Light Dept., Cairo, Louis A. Powell, Grady Co. Chamber of Commerce, Cairo, M. T. Shiver, Cairo, S. B. Perkins, Cairo, A. R. Kennedy, Cairo, Edward Parrish, Adel, John W. Lipsey, City Commissioner, Adel, S. H. Sutton, City Engineer, Adel, Robt. D. Tisinger, President Ga. EMC, Arthur B. Reynolds, Three Notch EMC, H. S. Glenn, Colquitt EMC, Dan M. Hughes, Slash Pine EMC, Lewis Lee, Director, Slash Pine EMC, Valene Bennett, Satilla EMC, Alma, for the public; N. Knowles Davis, Chief Engineer, R. B. Alford, Service Engineer, and H. H. Cabaniss, Auditor, for the Commission.

By the COMMISSION: The Commission issued a Rule Nisi on March 20, 1950, to the Georgia Power and Light Company to show cause before the Commission why rates for residential, commercial, and industrial electric service should not be reduced in view of the decline in the price of fuel oil used in the generation of electric power, and in view of the reduction in the wholesale rate paid for electric power

by the Company. The matter was first assigned for hearing before the Commission on May 11, 1950, but was later continued and reassigned, and came on to be heard before the Commission on July 12, 1950.

On May 7, 1948, 74 PUR NS 69, the Commission issued an order under File No. 19313, Docket No. 8876-A, authorizing increases in the rates of the Georgia Power and Light Company. At that time justification for the rate increase was based primarily upon the increase in production costs resulting from a substantial increase in the price of fuel oil used in the generation of electric power. During the year 1947 the price of fuel oil rose from $1.73 per barrel to $2.86 per barrel f.o.b. Port Tampa. By reason of this large increase in the cost of oil, the Commission in 1948 authorized Georgia Power and Light Company to add a 10 per cent surcharge to its residential and commercial rate schedules and to add a fuel adjustment charge on all rate schedules for wholesale electric service.

During the course of the 1948 hearing, considerable question was raised with respect to the rate paid for electric power by Georgia Power and Light Company to its parent, the Florida Power Corporation. Georgia Power and Light Company purchases its entire power requirements from the Florida Company. Since this Commission did not have authority to fix a rate for this interstate power transaction, and in order to determine whether or not the rate was fair and proper, the Commission in May, 1948, filed a petition with the Federal Power Commission requesting that Commission to review the rate in effect and determine whether or not a reduction was justified. Pursuant to that request, the Federal Power Commission conducted an exhaustive investigation and concluded that a reduction in the net cost of power to the Georgia Power and Light Company was justified. As a result of this conclusion Florida Power Corporation filed a revised contract with the Federal Power Commission for the sale of power to the Georgia Power and Light Company. This revised contract was accepted and represented a reduction in the net cost of power to the Georgia Power and Light Company of some $210,467 per annum, based on the first three months of 1950. This reduction in the cost of power to the Georgia Power and Light Company, together with the fact that the price of fuel oil is substantially less than at the time of the 1948 hearing, prompted this Commission to inquire whether a reduction in the rates of the Georgia Power and Light Company should not now be made.

During the course of the hearing of this matter, Georgia Power and Light Company offered through its witness, Mr. O. S. Vogel, extensive testimony with respect to the result of operation of the company and its investment in electric plant and equipment. This testimony was based, to a large extent, on the twelve months' period ending May, 1950, but many adjustments were applied to these results of operation to reflect changes in conditions. These adjustments included a correction in revenues and expenses to reflect the effect of the new purchase power contract between Georgia Power and Light Company and the Florida Power Corporation; the effect of the then current price of fuel oil in the cost of

purchased power in lieu of the varying price in effect during the period; the effect of wage increases granted on September 26 and December 26, 1949; the effect of alleged tax increases and other items.

The adjustments made by the company in the results of operation for the year ending May 31, 1950, were numerous and very complex. Since the effect of these adjustments occurred in the year 1949, the Commission will consider the first five months of 1950 for the purpose of this case thereby obviating the necessity for any of the numerous adjustments made by the company witness. However, subsequent to the close of the hearing, the company has written the Commission outlining further adjustments it feels should be made with respect to wages, taxes, and revenues. The company has requested a rehearing of the matter in order to offer additional testimony, but this case should be decided on the record as made except to give recognition to the new Federal income tax rate which will become applicable on January 1, 1951. To make adjustments for other operating expense items as alleged for the future would also require an adjustment of revenues for the future, giving effect to growth and increased sales. This would also require an adjustment of the investment of the company for the future with the over-all results being less accurate than the actual results of operation subsequent to January 1, 1950. As a matter of fact the net revenue of the company for the first ten months of 1950 is larger than for the first five months when both are placed on an annual basis.

This Commission has generally adopted prudent investment, less the accrued depreciation reserve, as a measure of a proper rate base. In the evidence submitted by the company, prudent investment was used, but the company deducted only the amount in the depreciation reserve which represented past charges to operating expenses. According to the evidence submitted, the company in the past found it necessary to make transfers to the depreciation reserve in order to eliminate the inadequacy of the reserve as found by independent engineers. It seems clear that the inadequacy was due to insufficient depreciation expense charges and resulting insufficient credits to the reserve in the past, generally prior to 1935. It follows that present customers of the Georgia Power and Light Company should not be penalized for the action of the company many years ago in failing to set aside a sufficient amount for depreciation expense purposes. It appears that the adjustments to the reserve were proposed by Georgia Power and Light Company and Florida Power Corporation in order to make the depreciation reserve adequate so that the subsequent stated investment of Florida Power Corporation in Georgia Power and Light Company's equity stock would reflect a proper value. For these reasons, it seems proper to deduct the full depreciation reserve of Georgia Power and Light Company in the determination of a fair rate base. To deduct any lesser amount would create an investment value in equity capital greater than Florida's actual investment therein. As a matter of fact, the reserve, including the two credit items discussed above, is now only some 15 per cent of depreciable

property which cannot be viewed as excessive. If the credits were eliminated the reserve balance would only be about 10 per cent of depreciable property which would be clearly inadequate.

According to a statement of operations submitted by the company for the year ending May 31, 1950, and after the various adjustments as made by the company are taken into account, the net revenue is equivalent to a 6.33 per cent rate of return on the average investment base submitted by the company. For the first five months of 1950, the actual results of operation, when related to the invested capital of the company (or to prudent investment less the accrued depreciation reserve) are equivalent to a rate of return of over 7 per cent per annum. After taking into account the effect of the increase in the Federal income tax rate, there appears to be justification for a rate reduction. This conclusion is substantiated by the facts that Georgia Power and Light Company will save over $200,000 annually in the net cost of purchased power beginning January 1, 1950, and that the price of fuel oil is substantially less than it was at the time the record was made in the former hearing. Furthermore, under the rate schedules as were proposed by Georgia Power and Light Company in the 1948 case, *supra*, the residential and commercial rates would have been increased one per cent for each 4 per cent increase in the price of fuel oil above $2 per barrel, with the result when the price of fuel oil dropped below $2 per barrel, the increase proposed by the company would have been automatically removed. The Commission did not accept this form of rate making which would have provided sliding-scale adjustments in the retail rate schedules, because it was considered that such rates should be more stable. However, had the Commission adopted the rates proposed by the company, the surcharge on residential and commercial rates would have been eliminated some twenty months ago.

It is the opinion of the Commission that the surcharge on Domestic Rate Schedule "D–1" and Commercial Rate Schedule "C–1" should now be removed. It appears that after the removal of this surcharge, the company will earn a reasonable return on its investment devoted to the public service. Wherefore, it is

Ordered that the present 10 per cent surcharge in rate schedules "D–1" and "C–1" of Georgia Power and Light Company be eliminated and the current rate schedules of said company without said surcharge shall be the maximum rates for the classes of service to which these schedules are applicable.

Ordered further that the minimum charge in Water Heating Rate Schedule "H–1" shall be $1.11 gross, one dollar net per month, with no additional charge per KW of connected load.

Ordered further that the above rate changes shall be made effective on bills for electric service based on meter readings made on and after January 1, 1951.

Ordered further that Georgia Power and Light Company shall file rate schedules with the Commission in conformity with the terms of this order.

NEW YORK PUBLIC SERVICE COMMISSION

Re Niagara Mohawk Power Corporation

Case 15058
December 13, 1950

APPLICATION *for authority to substitute natural gas for manufactured gas and to amortize the cost of conversion of customers' appliances over a 5-year period; granted.*

Service, § 254 — Substitution of natural gas for manufactured gas — Public interest.

1. The substitution of natural gas for manufactured gas is in the public interest, since it not only introduces a cheaper fuel than manufactured gas but also tends to insure against the inflationary effects of the additional construction of needed gas manufacturing plans and increases in the price of coal and oil, p. 127.

Service, § 292 — Substitution of natural gas for manufactured gas — Cost of converting customers' appliances.

2. The cost of converting customers' appliances upon conversion from manufactured to natural gas is an operating expense to be borne by the company, p. 128.

Expenses, § 74 — Maintenance of customers' appliances — Amortization of conversion cost.

3. A gas company being authorized to substitute natural gas for manufactured gas was allowed to amortize the cost of converting customer appliances over a 5-year period, p. 128.

APPEARANCES: Sherman C. Ward, Acting Counsel (by Laurence J. Olmsted, Assistant Counsel), for the Public Service Commission; Lauman Martin, Syracuse, Attorney, for Niagara Mohawk Power Corporation.

EDDY, Commissioner: In this petition our approval is requested (1) to change the thermal content of gas supplied in portions of Madison and Oneida counties from 537 BTU per thousand cubic feet to 1,000 BTU per thousand cubic feet, (2) to make certain changes in the rates resulting in reductions, and (3) to spread the cost of converting customers' appliances over a 5-year period.

The territory involved is a portion of Madison and Oneida counties and involves generally gas service in the cities of Oneida and Sherrill, and the villages of Canastota, Wampsville, Oneida Castle, and Vernon, the towns of Lennox and Vernon, and portions of the town of Westmoreland, and the hamlet of Clarks Mills. The territory involved is part of the so-called Utica district of petitioner and is now served with manufactured gas having a heat content of 537 BTU.

The company presently serves

straight natural gas with 1,000 BTU content in its so-called Syracuse-Oswego district involving the cities of Syracuse, Oswego, Fulton, and the surrounding territory. The company has presently before the Federal Power Commission applications to obtain additional supplies of gas to serve the city of Watertown. It has recently been authorized to serve the territory east from Syracuse to the cities of Albany and Troy. Assuming the granting of such application by the Federal Power Commission, the company will serve natural gas in substantially all of its territory, the notable exceptions being the cities of Ogdensburg, Malone, and Hudson. The territory to be served is part of the Utica district. The company's present supply point for natural gas is Therm City and there is available at that point sufficient natural gas to serve the territory under consideration.

In the present territory something in excess of 3,500 customers are being served. The company contends that under the rates proposed the introduction of natural gas will provide a saving of some $47,000 on an annual basis, or something over 17 per cent. The only customers who will be adversely affected are certain commercial, space-heating customers twenty-four of whom will be subject to increases aggregating about $1,000 and five will receive some reduction. The rates in general are patterned after comparable rates in the Syracuse district but are higher for each class of customers.

The service is made possible by the recent construction of a 14-inch main running from Therm City to DeWitt, approximately 16 miles. From DeWitt to Utica and passing through the territory in question is an already existing 8-inch main. The line from Therm City to DeWitt cost approximately $900,000. This line was built largely to supplement the supply to the eastern side of the Syracuse district but makes possible service to the territory in question, the difference being that the gas will flow easterly from Syracuse instead of a westerly direction from Utica.

[1] This Commission has repeatedly urged all of the gas companies under its jurisdiction to take all possible steps to obtain natural gas and has continually appeared in proceedings before the Federal Power Commission in an endeavor to obtain an adequate allotment of natural gas for this state. The introduction of natural gas introduces not only a presently cheaper fuel than manufactured gas but tends to insure against the inflationary effects of the cost of additional construction of needed manufacturing plants and increases in the price of coal and oil. The substitution of natural gas in this district is clearly in the public interest, and it follows that the change in the heating content should be approved.

The rates proposed have been permitted to go into effect by a Special Permission order dated October 6, 1950, because gas was presently available and the rates provide an immediate saving to the customers who are to be connected up with natural gas. However, it should be made clear that no final approval is placed on these rates by the action of the Commission. It is anticipated that within six months the Utica territory and the Mohawk valley will have natural gas available

at delivery points and under circumstances which will provide for a uniform cost of gas to the company at whatever delivery point the gas is taken from Utica east. This would lead us to the preliminary conclusion that gas rates from Utica east for the same type of service should be uniform. However, we are not presently passing on that question, and the question of rates in this area cannot finally be passed on until we have the entire problem of gas rates of the company before us.

[2, 3] The company estimates the cost of converting its customers' appliances, so that it is possible to use natural gas instead of manufactured gas, to be about $36,000. This, of course, is an operating expense which will be borne by the company and the company asks us to follow our ruling made in respect to the Syracuse division at the time natural gas was introduced there and to amortize the charges over a period of five years. Under the circumstances it appears the request is reasonable and should be permitted.

Conclusion and Recommendation

It is recommended that an appropriate order be entered authorizing the company in the territory embraced in the petition to serve natural gas having a heating value of 1,000 BTU per thousand cubic feet instead of manufactured gas having a value of 537 BTU; and that the company be authorized to amortize the cost of converting customers' appliances over a period of five years.

The company likewise asks us to approve the proposed rates. In view of the fact that rates are now presently in effect under special permission, no further action is required on the company's request. However, lest there be any misunderstanding, it should be understood that the rates in this territory must eventually be considered, if and when it is known that natural gas will be available for the larger portion of the company's gas customers, and finally determined in connection with the determination of proper rates for the balance of the Utica and other portions of the company's Eastern Division.

Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

$48,000,000 Program Planned By Consumers Power

A $48,000,000 construction program for 1951 was announced recently by Consumers Power Company to meet national defense demands for electricity and natural gas, together with civilian growth in its territory of more than 1,300 Michigan communities. It is the largest expansion budget in the company's history.

This will bring to $218,000,000 the total of expenditures to carry on the company's long-range program instituted in 1946, and which will have doubled the system's electric generating capacity for a total exceeding 1,300,000 kilowatts upon completion of projects now under way.

D. E. Karn, first vice president, stated that the budget calls for $37,000,000 for electric additions and improvements and $9,000,000 for gas, with $2,000,000 for general projects.

The largest single project is the continuing construction of the new 276,000 kilowatt Justin R. Whiting steam power plant on Lake Erie. The first two units of 85,000 kilowatts are scheduled for operation in 1952 and a third unit of 106,000 kilowatts in 1954.

Central Hudson Gas & Electric Has $40,000,000 Program

Central Hudson Gas & Electric Corporation is engaged in a forty million dollar expansion, improvement, and replacement program.

Of this sum, about twenty-five million dollars was spent in the years 1946 through 1950 primarily for increased transmission and distribution capacity, introduction of natural gas, and completion of new generating facilities begun in 1950. The remaining fifteen million dollars will be spent in 1951-1952 in completing a 60,000 kilowatt steam generating plant and a 25,000 kilowatt hydroelectric plant started in 1950 and in ordinary additions and improvements to operating properties. During 1950 more than 3,500 customers were added to the company's power lines.

EEI Sales Conference to Be Held in Chicago

The 17th Annual Sales Conference of the Edison Electric Institute will be held on April 2-5, 1951 at the Edgewater Beach Hotel, Chicago, Illinois, it has been announced by Merrill E. Skinner, chairman of the EEI Commercial Division General Committee.

National leaders in the electric utility sales and appliance fields will address the general sessions, scheduled to convene on Wednesday, April 4th. The sales outlook for the coming year in the residential, farm, commercial, and industrial markets will be discussed by industry leaders at four concurrent sectional meetings on Tuesday, April 3rd. A full-day session devoted to home service will be held Monday, April 2nd.

On Wednesday, April 4th, the awards which are offered to electric operating companies annually, and sponsored by EEI for outstanding promotional accomplishments in the fields of planned lighting, home service, electrical appliances, and farm electrification, will be presented.

The Conference will be concluded on Thursday, April 5th with a luncheon session.

G-E Breaks Production Record For Large Turbine Generators

The General Electric Company in 1950 broke its all-time record for production of large turbine generators, according to Glenn B. Warren, manager of the G-E Turbine Divisions.

The company's new $30,000,000 turbine plant at Schenectady, N. Y., in its first full year of operation, produced units with a combined capacity of 2,866,000 kilowatts.

Almost the entire 1950 output of the new 20-acre Schenectady plant went to utilities throughout the United States.

Based on current manufacturing schedules, Mr. Warren said, the 1951 output of large units from the new Schenectady plant, and smaller turbine generator units from G-E plants at Lynn and Fitchburg, Mass., "will be materially greater than any previous year in the history of the company, if certain critical materials are available in sufficient quantities for these purposes."

Mr. Warren attributed the unprecedented rise in orders for turbines to "the multi-billion-dollar expansion program launched by the power companies immediately following World

(*Continued on page 34*)

War II which has permitted these companies to keep ahead of demand, and to the tremendously increased demand for electric power by industry since the start of the Korean crisis."

Steam turbine generators built in the company's 20-acre turbine plant at Schenectady during 1950 ranged in size from 15,000 kilowatts to 165,000 kilowatts. The average rating of these units was approximately 55,000 kilowatts, an increase of more than 12,000 kilowatts over the average rating of units built and shipped only two years ago. Almost three-quarters of the units shipped in 1950 were built to operate at temperatures 900 F or higher, with 26 per cent in the 951 F to 1050 F range. More than half were built for pressures in excess of 1251 lb., with 27 per cent in the 1450 to 2000 lb. range. Resuperheat turbines accounted for 25 per cent of the total production for power plants.

Report Tells How to Choose Business Consultants

RULES to follow when selecting a business consultant, together with safeguards and procedures for insuring satisfactory results, are presented in a report entitled "Business Consultants—Their Uses and Limitations," issued recently by Controllership Foundation, Inc., research arm of Controllers Institute. Based on the experience of 61 representative business companies located in 25 cities, the report defines the ethical tenets which should govern the consultant's dealings with management. It describes the various bases on which consultants work, and provides standards for companies to apply when judging their success.

Copies of the report are available at Controllership Foundation headquarters, 1 East 42nd street, New York. To members of the Controllers Institute, the price is $1.50; to non-members, $3.00.

Pub. Serv. of No. Ill. Buys Land for Generating Station

THE PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS has completed arrangements to purchase a 216-acre tract of land on the banks of the Chicago Sanitary and Ship Canal between Lemont and Lockport as a site for a future electric generating station, it was announced recently by Britton I. Budd, president.

"At present there are no definite plans as to the time of construction of the generating station," Mr. Budd said. "However, we decided to buy the property and to go ahead with preliminary plans and surveys for the plant during 1951 on account of the continuing rise in the use of electricity by the homes, farms, and factories in northern Illinois.

"The company's electric generating capacity,

(*Continued on page* 36)

paralleling the tremendous growth of the area, has been increased more than 500 per cent during the past 25 years. All of this expansion has consisted of additions to existing stations.

"The station probably will be started with installation of one turbo-generating unit of about 150,000 kilowatts but it will be designed for additional units," he said.

"The site is large enough and the available water is sufficient to support a plant of 1,000,000 kilowatt capacity with adequate room for coal storage and it is strategically located with respect to the other stations in the system."

Figure-fact Atomic Age Accounting

"FIGURE-Fact Atomic Age Accounting at Machine Speed . . . with Machine Accuracy" is the title of a new folder issued by the Management Controls Division of Remington Rand Inc.

The folder contains detailed information on securing figure-facts on payroll, cost, production, sales reports, inventory, or invoices produced automatically, faster, and at startlingly low costs with Remington Rand punched-card accounting machines. It shows the varied and complete line of Remington Rand tabulating machines, highlighting the major functions of each machine in accordance with three major accounting functions: Recording—Sorting and Arranging—and Reporting.

Besides picturing and describing each piece of Remington Rand equipment, the folder contains a unique chart showing the tremendous versatility of each machine in relation to the usual record keeping operations.

"Figure-Fact Atomic Age Accounting" will be sent on request by writing Remington Rand Inc., 315 Fourth avenue, New York 10, N. Y.

Alabama Power Plans $27,885,000 Program

ALABAMA POWER COMPANY'S board of directors recently approved the largest construction budget in the company's history. Approximately half of the $27,885,000 to be used for construction during 1951 will be for new generating plants and their connection to the company's transmission system. Expenditures for generating facilities include completion of a 100,000 kilowatt addition to Gorgas No. 2 steam plant, the beginning of still another 100,000 kilowatt addition there to be completed in 1952, the completion of a 40,000 kilowatt addition to Chickasaw steam plant near Mobile, and progress toward the completion in 1952 of an additional generating unit of 55,000 kilowatts at Martin Dam on the Tallapoosa River.

Additional transmission lines and substations, and enlargement of, and improvements to existing transmission substations will total over $2,500,000. Increase in supply facilities and extensions to new customers are budgeted at over $11,000,000.

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CLEVELANDS do more work—and do more profitable work—because of higher digging capacity, because of fast truck-speed moves from job to job, because each machine fits more different kinds of jobs, and because less time is lost for maintenance. CLEVELANDS are ideally fitted to utility work by such features as power-shift reversible arc conveyors that place the dirt accurately for easy backfill and a compact design that places the trench edge as close as 17" to a side wall. Put these hard-hitting profit-making "workhorses" to work for you. Call your local distributor for details or write direct.

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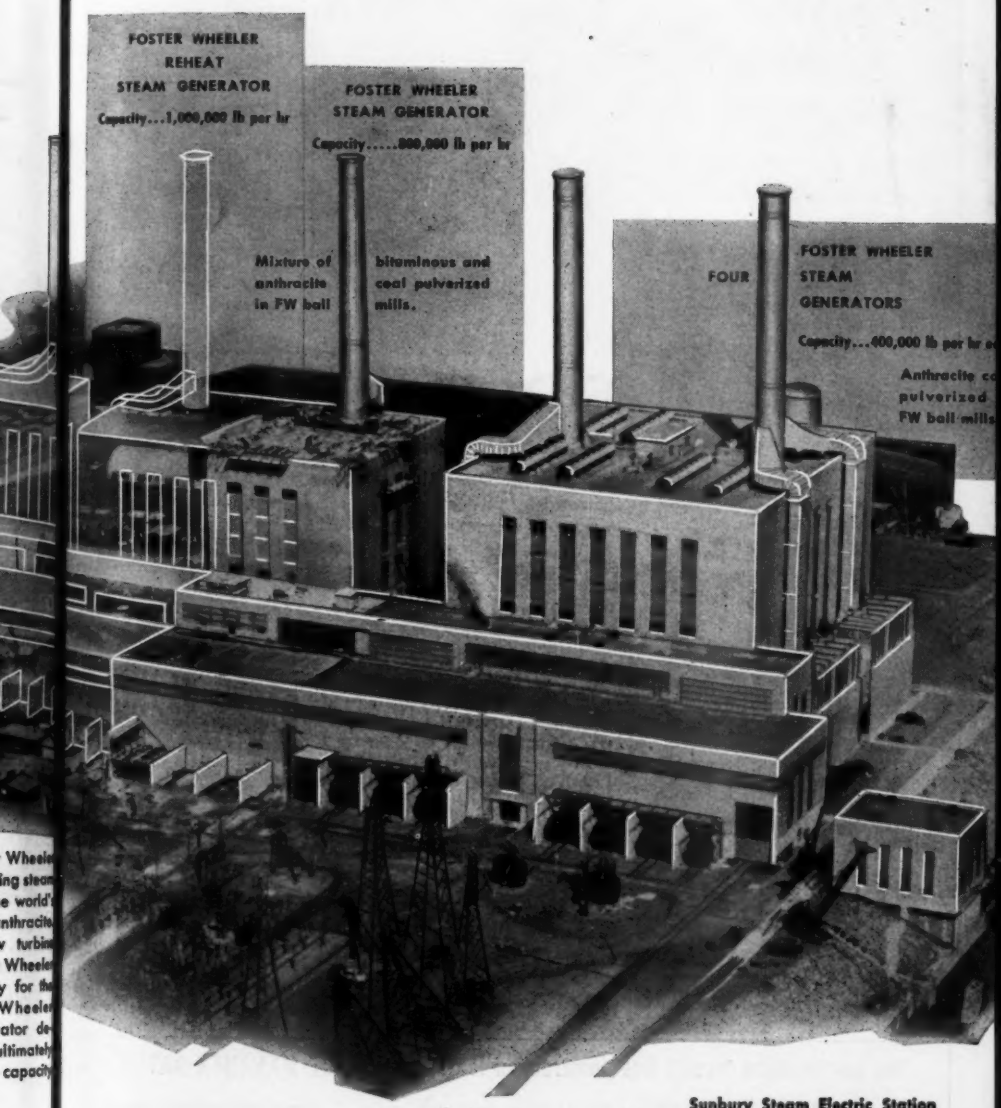
vision – with a past,

The original Sunbury Steam-Electric Station which was built by Thomas A. Edison in 1883.

The vision began to take form on Independence Day, July 4, 1883 at Sunbury, Pa. when Thomas A. Edison threw the switch of the first commercial steam-electric station in the world. This was one of the epochal events foreshadowing the scientific, industrial, and economic miracles of the 20th century. The new Sunbury Steam-Electric Station near Sunbury, Pa. reflects both the tradition of our American past and the hope of tomorrow as its fine buildings emerge from the blueprint stage to provide an abundant source of power for factories, offices, farms, and homes in Central Eastern Pennsylvania.

The earliest section which houses four Foster Wheele 400,000 lb per hr steam generators providing steam for two 75,000 kw turbine generators is the world's largest power plant burning pulverized anthracite. The first extension houses a 100,000 kw turbine generator and an 800,000 lb per hr Foster Wheeler steam generator. Engineering is under way for the installation of an additional Foster Wheeler 1,000,000 lb per hr reheat steam generator designed to serve a 125,000 kw unit. When ultimately completed, the station is expected to have a capacity of more than 700,000 kw.

present, and future



Sunbury Steam Electric Station
of Pennsylvania Power & Light Company

FOSTER WHEELER

PROFESSIONAL DIRECTORY

• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, financing, design, and construction.

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PROFESSIONAL DIRECTORY (*continued*)

PROFESSIONAL DIRECTORY (*continued*)

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PROFESSIONAL DIRECTORY *(concluded)*

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[*The Fortnightly lists below the advertisers in this issue for ready reference. Their products and services cover a wide range of utility needs.*]

*Fortnightly advertisers not in this issue.

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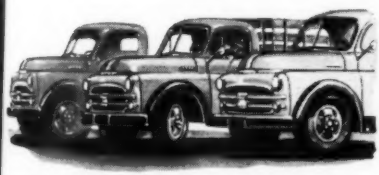

NEW! EASIER HANDLING Now, even sharper turning—with cross-steering, wide front tread, short wheelbase. More comfortable steering wheel angle and easier-operating new worm-and-roller steering gears!

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See the NEW

NEW! EXTRA-QUIET BRAKES The first molded, tapered Cyclebond brake lining on trucks! Extra-smooth, extra-quiet, positive action. Extra-long life. Standard equipment on models of 1½ tons and up.

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ANOTHER DODGE EXCLUSIVE!

Smoother performance, easier handling and longer life with gyrol Fluid Drive. Available on ½-, ¾-, and 1-ton models.

DODGE "Job-Rated" TRUCKS ON DISPLAY AT YOUR NEAREST DODGE DEALER'S

for very long spacings

on light-traffic streets

Forty to 100 per cent greater visibility is what you get with General Electric's Type VR optical assembly as compared to the conventional lateral-bowl refractor type assembly. The VR is specifically designed for Comfortable Seeing with long spacings on residential and other light-traffic streets. It will amply meet A.S.A. practice with 125 to 175 foot spacing and the economical 4000- to 6000-lumen lamps.

More Uniform Visibility The Holophane® Vertilateral® refractor of the VR optical assembly both lifts and turns the light into the street. This offers three main advantages—one, it gives a very accurate control of light for uniform distribution—two, directs maximum candle power at a comparatively high angle for maximum silhouetting effect—and third, reduces veiling glare because light is directed from all parts of the refractor.

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Type 1 Distribution The VR has I.E.S. typ distribution. No other luminaires are so ide suited for so many light-traffic street applicati Get the facts on these luminaires—write complete information to Section 452-113—or your local Apparatus Sales Office Lighting Spec ist for application recommendations. Appara Dept., General Electric Company, Schenecta 5, New York.

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